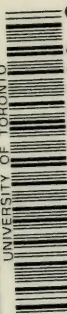


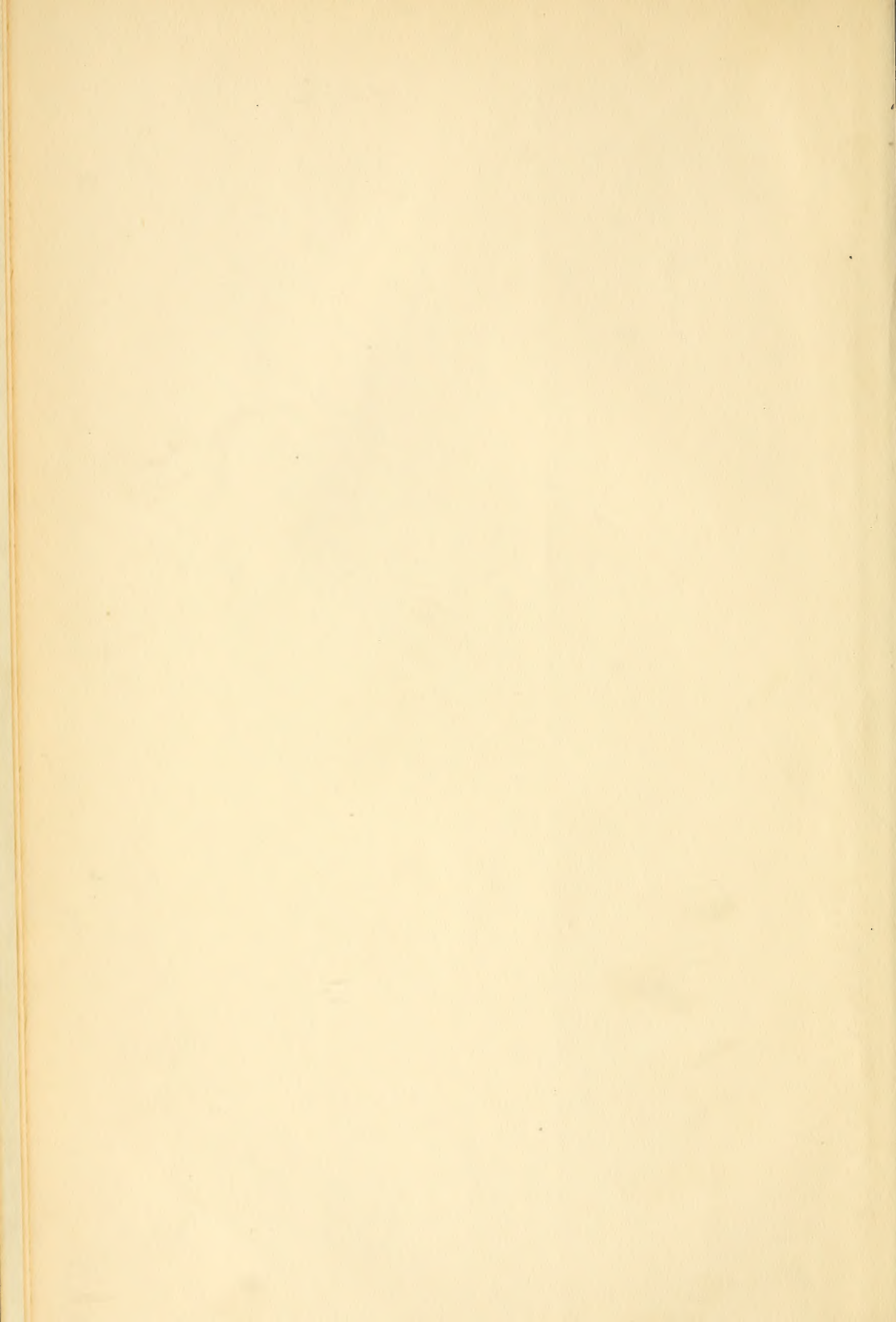
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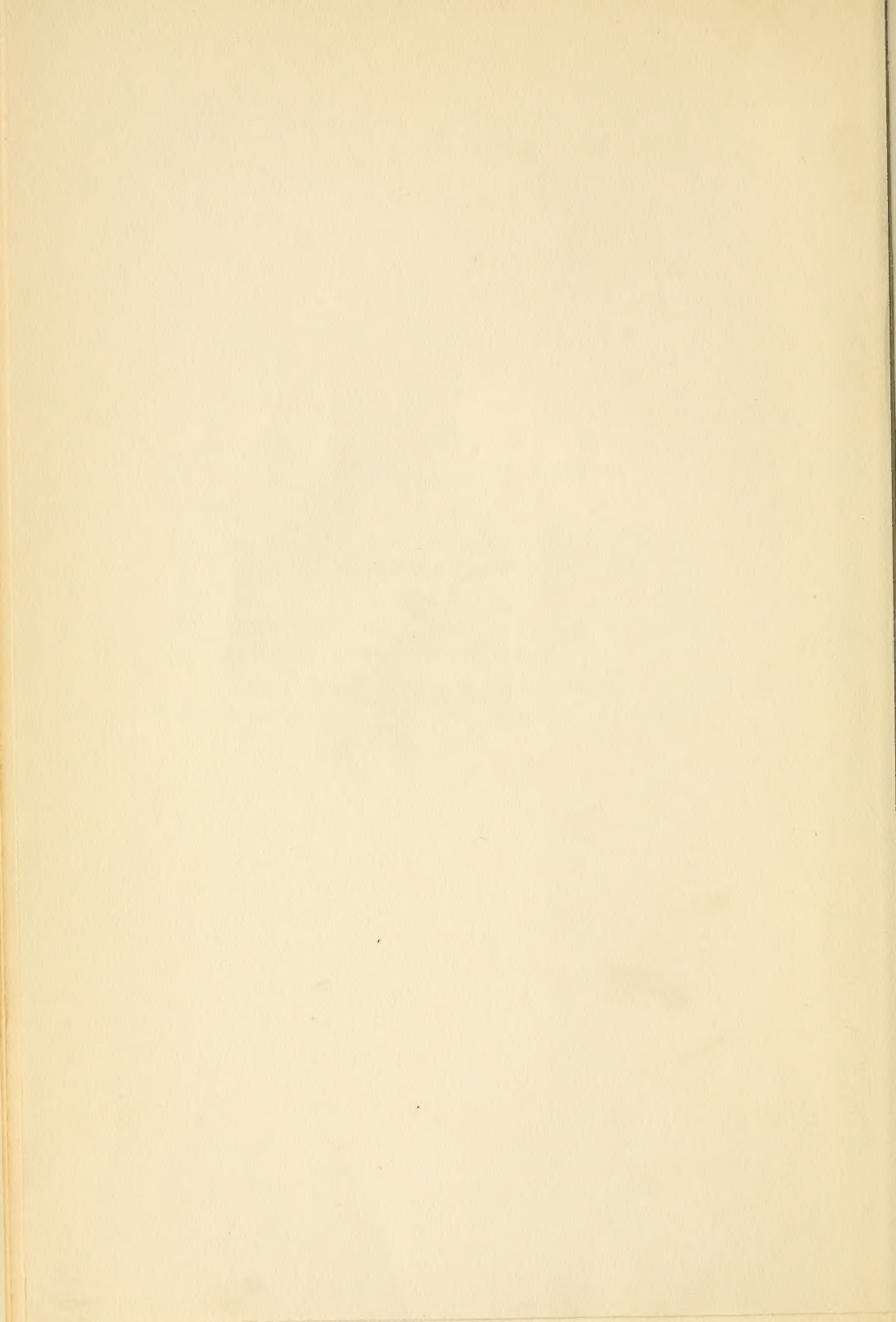
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Co-Operative and Other Organized
Methods of Marketing California
Horticultural Products

By

JOHN WILLIAM LLOYD, PH.D.



PREFACE

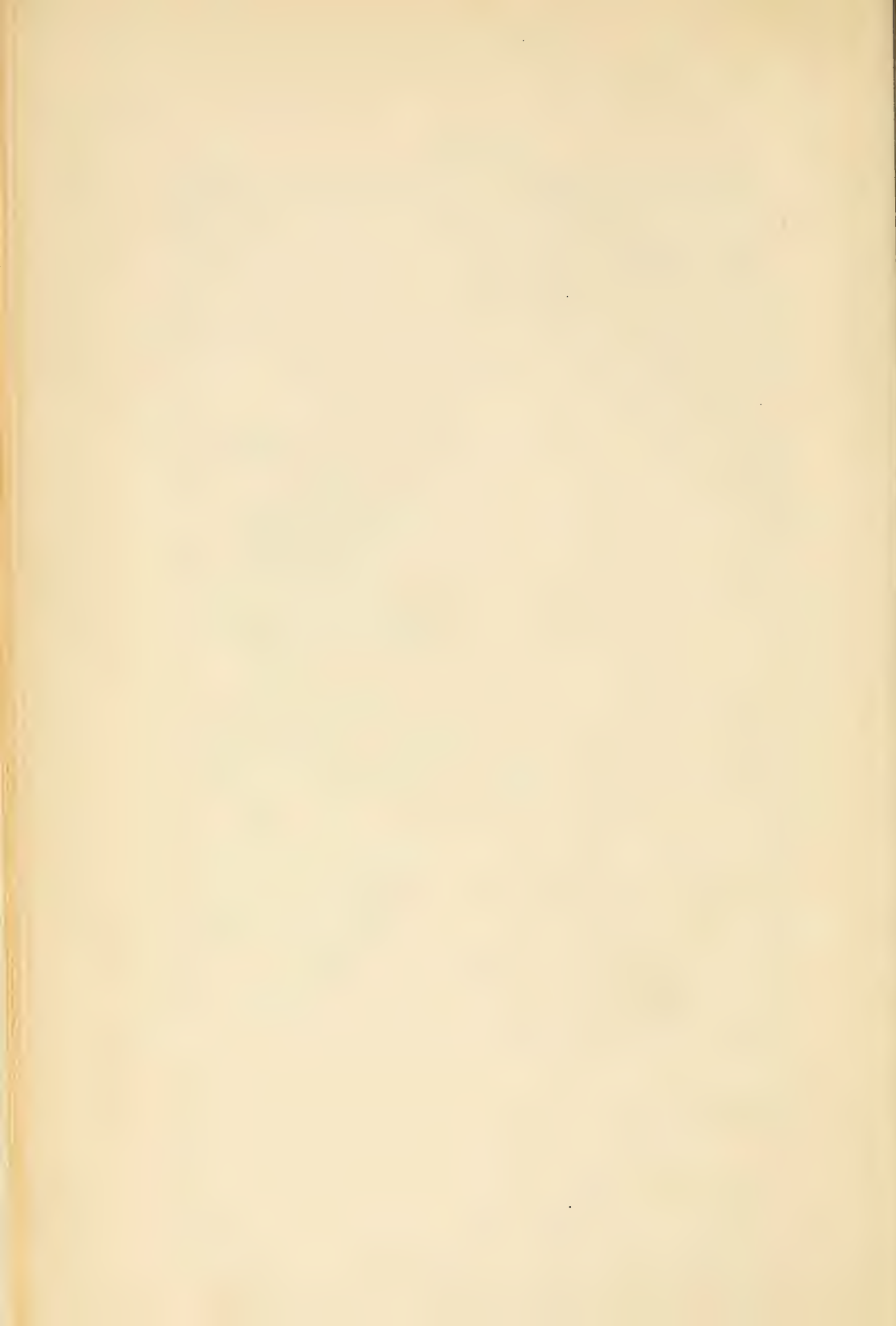
This monograph is based on studies made during a residence of nearly two years in California. The chief sources of information have been: (1) personal interviews with officials of marketing organizations; (2) articles of incorporation, by-laws, agreements, crop contracts, and other printed documents; (3) detailed records of Boards of Directors and other official bodies; (4) files of periodicals published in fruit producing regions or giving prominence to horticultural products; and (5) special literature bearing on the subject (see Bibliography).

An effort has been made to give a true picture of the co-operative movement in California as applied to the marketing of horticultural products. This study was completed in March, 1917, and describes conditions as they existed at that time. Since then various new organizations have been formed, transportation conditions and rates have changed on account of the war, and the government has greatly extended its participation in matters pertaining to food distribution. No attempt has been made to include a discussion of these later developments, though some of them are directly in line with the possibilities suggested near the close of this report.

The writer desires to acknowledge his indebtedness to the late Professor A. V. Stubenrauch for suggesting the undertaking of this study and for encouragement during its progress almost to its completion; to other members of the faculty of the University of California for helpful suggestions; to the officers and managers of the various marketing organizations for their courteous assistance; especially to G. Harold Powell, General Manager of the California Fruit Growers Exchange, for the privilege of examining all the records in the office of that organization; to C. B. Messenger, Editor of the *California Cultivator*, for access to early files of the *California Cultivator* and the *Rural Californian*; and to Joseph F. Daniels, Librarian of the Riverside Public Library, for access to files of the *Riverside Press and Horticulturist* and the *Riverside Daily Press*.

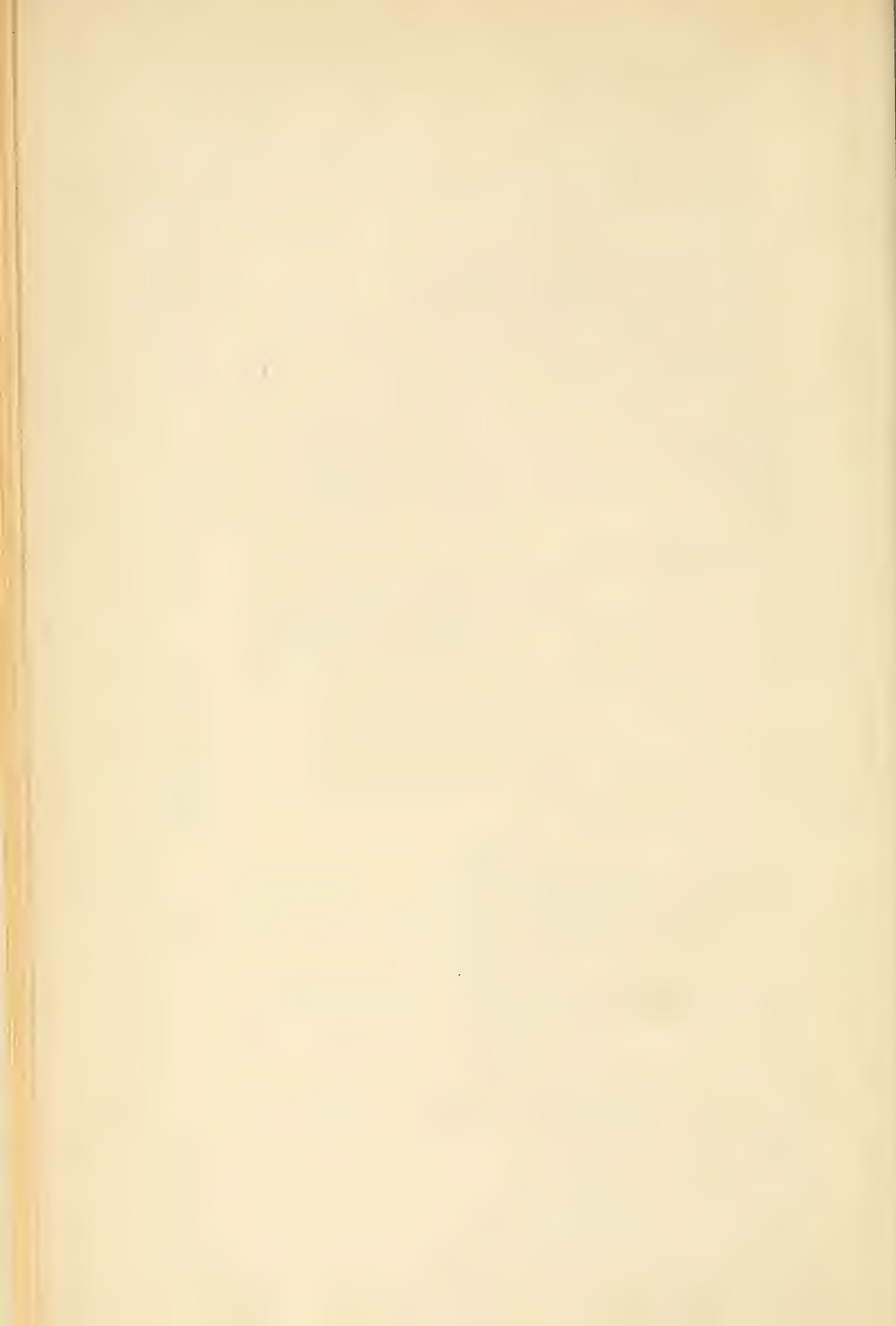
J. W. LLOYD

Urbana, Illinois
December, 1918



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INTRODUCTION

The permanence of horticultural industries depends primarily upon the successful marketing of the products. Many individual horticultural enterprises have failed, not because of inability of the operators to produce the crops, but for lack of efficient marketing facilities. When individual efforts at marketing have failed, growers have been obliged either to give up their horticultural pursuits or to co-operate with their fellows in the marketing of their products. The greater the distance of the grower from his market, the more helpless he has been as an individual in attempting to solve his marketing problems. It is not surprising, therefore, that California growers have been leaders in the development of co-operative marketing organizations in America.

A study of the conditions which led to the formation of co-operative marketing organizations in California, and of the accomplishments of these organizations should indicate the relative advantages of co-operative, as compared with other methods of marketing. Furthermore, the experiences of these organizations in the progress of their development illustrate certain principles which appear to be fundamental to the success of co-operative marketing enterprises. A detailed consideration of these principles as exemplified by the experiences of California marketing organizations will constitute the major portion of the present paper.

Three methods of marketing California horticultural products may be noted: (1) outright sale to speculative buyers, (2) consignment upon a commission basis, and (3) sale through a growers' co-operative marketing organization. Each of these methods has characterized certain periods in the marketing of the various California products. In the early eighties of the last century, California fruit was usually purchased outright from the growers by speculative buyers who shipped it to a few of the larger markets. California fruit in the eastern markets was then looked upon as a luxury to be indulged in only by the wealthy, and the

limited shipments were sold at exorbitant prices. During this period, the buyers paid good prices to the growers, and at the same time made large profits for themselves. Within a few years, however, with increased production, the markets seemed to be easily oversupplied, and the former buyers refused to purchase fruit from the growers, but were willing to handle it upon a commission basis, in addition to a fixed charge for packing. This arrangement relieved the shipper of all risk and insured him a profit, but placed the grower at the mercy of an uncertain market, and finally resulted in such low returns that the entire fruit industry of the state was threatened with ruin. The crisis was reached during the financial panic of 1893. For a few years previous to that date, efforts had been made by growers to devise some better method of marketing their products; and in a few places small local associations had been organized. A special impetus was given to the formation of fruit growers' co-operative marketing organizations in 1893, particularly among orange growers in the southern part of the state. The various local organizations of orange growers became affiliated, and in 1895 a central organization, known as the Southern California Fruit Exchange, was incorporated. This organization has been in continuous activity since that date (though in 1905 the name was changed to California Fruit Growers Exchange), and furnishes the facilities by means of which a large part of California's citrus fruit crop is marketed.

Besides the citrus fruit growers, producers of deciduous fresh fruits, raisins, dried peaches, walnuts, almonds, apples, berries, and cantaloupes, have formed marketing organizations which are at the present time in active operation. Some of the organizations are general in character, attempting to serve the needs of the given industry throughout the state; others have confined their activities to a given producing region without regard to the same product in other localities.

The following organizations of growers are concerned in the marketing of California horticultural products:

CALIFORNIA CO-OPERATIVE MARKETING ORGANIZATIONS

Name	Headquarters	Product	Years in Op- eration	Percentage of Crop Handled
General organizations:				
California Fruit Growers Exchange	Los Angeles	Citrus fruits	22	67
California Fruit Exchange	Sacramento	Deciduous fresh fruits	16	20
California Associated Raisin Co.	Fresno	Raisins	4	80+
California Walnut Grow- ers Association	Los Angeles	Walnuts	5	70
California Almond Grow- ers Exchange	San Francisco	Almonds	7	80
California Peach Growers	Fresno	Dried peaches	1	75
Locality organizations:				
Sebastopol Berry Grow- ers, Incorporated	Sebastopol	Berries	8	
Sebastopol Apple Grow- ers' Union	Sebastopol	Apples	6	
Turlock Merchants and Growers, Inc.	Turlock	Cantaloupes, etc.	2	

In addition to the above, the following have filed articles of incorporation, and are in process of organization: California Prune and Apricot Growers, Inc., California Associated Olive Growers, Inc., and Watsonville Apple Distributors.¹ Mention should also be made of the California Avocado Association and the Coachella Valley Date Growers Association, organizations which are looking after the welfare of their respective industries, the products of which are not yet of sufficient volume to warrant any attempts at co-operative marketing.

¹ This study was completed in March, 1917. Other organizations handling California horticultural products have been formed since that time.



CHAPTER I

ADVANTAGES OF CO-OPERATIVE MARKETING

A study of the accomplishments of the organizations enumerated in the tabular statement on page 11, and of some of their predecessors in the same industries, indicates that growers' co-operative marketing organizations handling California horticultural products are capable of:

1. Reducing the cost of marketing.
2. Improving the distribution of the product.
3. Increasing the demand for the product.
4. Standardizing the product.
5. Protecting the individual grower.

HOW MARKETING COSTS HAVE BEEN REDUCED

In this discussion, "cost of marketing" is assumed to mean the difference between the price paid by the jobber in the consuming region and that received by the grower for a given product. It includes packing-house charges, transportation, and brokerage, commission or other form of compensation for doing the selling. In the early period when the fruit was handled principally by speculative buyers who purchased it outright from the growers, this cost of marketing included a large profit to the dealer. When market conditions changed so that large profits were no longer assured, the same firms continued to operate as packers and shippers, charging the growers a fixed amount for packing and a commission for selling. This was the method in operation at the time the orange growers decided to organize for the purpose of doing their own marketing.

One of the most tangible results secured by the orange growers upon assuming their own packing and selling was a marked reduction in the cost of packing as compared with the charge exacted for that service by the firms who had previously handled

the crop and who continued to handle it for growers outside the organization. Reports of various associations of growers at the end of the first season's operations following the general movement toward organization in 1893, gave definite evidence on this point. At the annual meeting of the Riverside Heights Orange Growers Association, October 2, 1894, the officers reported that "the total expense per box for packing the fruit . . . was 29 cents."¹ The report of F. M. Douglass, Secretary of the Duarte-Monrovia Citrus Association, July 17, 1894, stated that, "The charge to the growers for packing the fruit and loading on car was but 24 cents per box. Though the price was small, it proved sufficient to cover the expense."² The previous season, one of the largest commercial packers had charged growers 40 cents a box for the packing.³ In an address at a meeting of the Southern California Pomological Society, at Pomona, November 16, 1894, T. H. B. Chamblin, in reviewing the first year's operation of the Exchange system,⁴ stated that, "Previous to the advent of the Exchange system, it cost from 35 to 50 cents per box to pick, pack, and haul to the railway. The average was about from 40 to 45 cents. During the past year it has not cost much over 28 cents per box."

Fully as favorable results were attained the next season. According to the *Ontario Record*,⁵ "Mr. Adams [Manager of the Ontario Fruit Association] states that this year [1895] the expense of packing, miscellaneous expenses and salaries [i.e. cost of operating the local packing-house] amounted in round numbers to 28 cents per box. . . . When the old commission system was the only selling medium, the grower paid from 35 to 60 cents for packing alone." The costs of packing in some of the Riverside associations for the 1894-95 crop were as follows: Riverside Heights Association, 25.68 cents per box; Brocton Square Association, 26.20 cents per box; Navel Orange Co., 24+ cents.⁶ The same item stated that, "The average cost throughout

¹ *Riverside Press and Horticulturist*, Oct. 6, 1894, p. 2.

² *California Cultivator*, Aug., 1894, p. 229.

³ *Riverside Press and Horticulturist*, Sept. 23, 1893, p. 2.

⁴ *Rural Californian*, Dec., 1894, pp. 635-636.

⁵ As quoted in *Riverside Press and Horticulturist*, Aug. 31, 1895, p. 1.

⁶ *Riverside Press and Horticulturist*, Sept. 28, 1895, p. 2.

the valley has probably not gone above 27 cents, as against 35 paid to outside packers the same season." At the close of that shipping season, Fred L. Alles, in an article entitled, "California Fruit Exchanges vs. The Commission System,"⁷ stated that, "In no one thing has the exchange system shown its value more positively than in the cost of packing and marketing the fruit. It has reduced the cost of packing from the old commission system average of 43 cents per box to a present rate of 28 cents, a saving to the growers of nearly \$200,000 on packing alone."

In October, 1900,⁸ the stockholders of the Riverside Heights Association "were most enthusiastic over the splendid showing made the past year . . . and the average cost per box for packing was 27½ cents—lower than any other association by 1½ cents."

In a circular issued by the California Fruit Growers Exchange, December 20, 1911, B. A. Woodford, General Manager, said: "A brief review or comparison of conditions as they exist just prior to the formation of the Exchange and as they exist to-day is interesting. Then, the cost of packing a box of oranges and putting it upon the car was between 40 and 50 cents. Now, the same service, better done, costs on the average 30 cents."

In a public address the same year,⁹ Mr. Woodford said: "The cost of packing as compared with seventeen years ago has been reduced to all growers more than 10 cents per box, a saving of \$2,000,000 annually on the present output."

The low cost of packing as conducted by the associations which constitute the California Fruit Growers Exchange, was due mainly to two factors: (1) The elimination of the profits formerly accruing under a system of commercial packing, since all operations are conducted upon a strictly co-operative basis at actual cost; and (2) the purchase of box material and other packing-house supplies in enormous quantities for the entire Exchange system and their distribution to the various associations at actual cost.

Some local co-operative associations of raisin growers which had been organized in the vicinity of Fresno about the time the

⁷ *California Cultivator*, Nov., 1895, pp. 381-383.

⁸ *Riverside Daily Press*, Oct. 3, 1900, p. 5.

⁹ *Proceedings Thirty-ninth State Fruit Growers' Convention*, p. 89.

orange growers were organizing in the southern part of the state, likewise secured marked savings in packing expense. The report of W. F. Forsey, Secretary of the Producers' Raisin Packing Company, showed that in two years this co-operative company had "saved enough in packing, as compared with the prices charged by commission packers, to build and equip their packing-house and pay for the land" on which it stood. In one year they had saved \$6500 in packing 150 earloads of raisins. They "packed 15,410 boxes Layers No. 1 of twenty pounds each at an average cost per box of $19\frac{1}{4}$ cents. The price charged by the commission packers is [was] $32\frac{1}{2}$ cents for doing exactly the same work. . . . They packed 41,362 fifty pound cases at an average cost of $16\frac{9}{10}$ cents per case, and the price charged by the commission packer is [was] 25 cents." ¹⁰

In the orange growers' organizations, not only the cost of packing, but also the cost of selling was materially reduced when the growers took their business into their own hands. The customary commission charge seems to have been 10 per cent on the gross sales, though 7, 8 and 12 per cent ¹¹ have also been mentioned. "The Exchange charges the growers only actual cost for . . . selling the fruit which . . . [in 1895 was] about 4 per cent, a saving of a full \$150,000 this year to the growers." ¹² In a feature article ¹³ in the *Los Angeles Herald*, June 27, 1897, based on data furnished by the officers of the Southern California Fruit Exchange, the statement was made that, "Under the Exchange system the cost [of selling the fruit] the past season has been only $7\frac{1}{2}$ cents a box. The old [commission] system of charging would be about 25 cents a box on Navels and about 17 cents a box on seedlings. Here is a saving of $17\frac{1}{2}$ cents a box on Navels and $9\frac{1}{2}$ cents a box on seedlings."

In some of the early reports regarding reductions in the cost of marketing oranges, the savings made by the growers due to reduced costs of packing and of selling were combined into one item for purposes of comparison with other methods of marketing. In a brief review of the first year's marketing of oranges

¹⁰ *Pacific Rural Press*, Mar. 9, 1895, p. 146.

¹¹ *California Cultivator*, Nov., 1895.

¹² Alles, Fred L., in *California Cultivator*, Nov., 1895.

¹³ *Los Angeles Herald*, June 27, 1897, pp. 16-17.

under the Exchange system, W. E. Collins said:¹⁴ “. . . the charge to the grower for packing and marketing the fruit has been from 25 to 50 per cent less than the combined charge for packing and commission under the old system.” Reports for the season of 1894-95¹⁵ “show that the Redlands growers [not in the Exchange system] paid 52 cents per box for packing and selling their fruit, while the same item of expense in the Colton Exchange was but 32 cents—a clear gain of 20 cents in favor of the Exchange system.” In a circular issued by a “committee of the Orange Exchanges comprising the Pomona valley,” in the fall of 1896,¹⁶ it was stated that “the expense of packing and selling [had been] reduced to the actual net cost, saving the growers 15 to 35 cents per box.” A circular issued by the Riverside Fruit Exchange in the fall of 1898¹⁷ said: “The entire cost of the box material, packing and selling . . . will not exceed . . . 35 cents a box to the grower [in the Riverside Exchange, for the season of 1897-98].”

The low cost of selling instituted by the “Exchange system” in the early days has been consistently maintained to the present time, even though the service has been vastly extended and improved. December 20, 1911, B. A. Woodford, General Manager of the California Fruit Growers Exchange, issued a statement that “prior to the formation of the Exchange . . . the growers paid the California shipper 7 to 10 per cent on the gross proceeds for selling the fruit. Now, a better service is open to all growers for less than 3 per cent.”¹⁸ The annual reports of the present general manager, G. Harold Powell, show that the cost of selling citrus fruits through the California Fruit Growers Exchange, from 1912 to 1916, has been less than 3 per cent on the gross sales. In this selling cost has been included the cost of maintaining a comprehensive advertising campaign each season. The continuance of this low cost of selling in spite of the greatly improved service has been made possible by reason of the

¹⁴ *Rural Californian*, Oct., 1894, p. 533.

¹⁵ *Rural Californian*, Nov., 1895, p. 594.

¹⁶ *Rural Californian*, Oct., 1896, p. 413.

¹⁷ *Riverside Daily Press*, Nov. 16, 1898, p. 5.

¹⁸ Circular issued by the California Fruit Growers Exchange, Dec. 20, 1911.

large volume of business transacted, the thorough organization of all departments of the service, and the employment of salaried agents in place of brokers in the principal markets of the country.

In addition to reducing the costs of packing and selling fruit for its members, the California Fruit Growers Exchange was the principal factor in securing reductions in freight rates and refrigeration charges on California citrus fruits. The orange freight rate was reduced 7 cents per box and the lemon rate 21 cents per box. Based on the output in 1911, this was equivalent to an annual saving of over \$1,700,000.¹⁹ Reductions in charges for the various kinds of refrigeration service were secured from time to time, and resulted in further reducing the cost of transportation. Since these savings in freight and refrigeration charges were available to all shippers alike, the Exchange has been of direct service to the entire industry in this connection, and not to its own members alone.

The California Fruit Growers Exchange has also been able, in its transactions, to reduce greatly the losses due to freight overcharges or damages in transit, and to bad debts or failure of purchasers, which losses might otherwise constitute an important item in the cost of marketing. The payment of freight overcharges is avoided by a thorough system of auditing instituted by the traffic department of the Exchange. This department also secures and compiles the data for the establishment of claims against the transportation companies for damages to fruit in transit whenever such damages have occurred. The importance of this service in saving money for the growers is indicated by a statement in the annual report of the general manager of the Exchange for the year ending August 31, 1916, as follows: "There have been presented to the railroads during the year 11,364 claims, including those for pilferage, overcharge, and for loss and damage in transit. These claims aggregated \$151,006.01, and during the year \$111,557.31 have been paid and returned to the shippers. The expense of this service is included in the marketing cost."

Losses due to bad debts and similar causes have been practically eliminated by having personal representatives in all the

¹⁹ *Proceedings of Thirty-ninth Fruit Growers' Convention*, p. 89.

leading markets, by conducting the business on essentially a cash basis [requiring settlement in full for every car of fruit within 48 hours after the sale is consummated], and by using local banks as depositories for funds, thus avoiding the possibility of loss due to failures while checks were being transmitted to and from California. During the year ending August 31, 1916, the growers belonging to the California Fruit Growers Exchange lost only "\$102.73 due to bad debts and all other causes. This equals three-eighths of one-one thousandth of one per cent of the money returned to California [by the Exchange]. In thirteen years the Exchange has returned to California \$192,500,000, and during this period the losses from bad debts and from all other [similar] causes have amounted to only \$7,688.56. . . This business represents transactions with 2,500 jobbers in the United States and foreign countries." ²⁰

Other co-operative marketing organizations have adopted the methods of the California Fruit Growers Exchange in reducing marketing costs, in so far as these methods have been applicable to the business of the respective industries, in their present stage of development. The organizations composed of local associations operating their own packing-houses purchase on the best possible terms the packing-house supplies needed by all their members. The California Fruit Exchange (handling deciduous fresh fruits) has for years had its fruit handled through the sales agents maintained by the California Fruit Growers Exchange in the various markets. Since the heavy shipments of deciduous fruits occur at a season of the year when shipments of citrus fruits are comparatively light, this arrangement has been of advantage to both Exchanges. The California Walnut Growers Association, by establishing more direct connections with the jobbing trade than existed when each local association acted independently, has been able to reduce the selling cost to about 3 per cent,²¹ whereas the brokerage alone was formerly from 5 to 6 per cent. The California Walnut Growers Association and the California Almond Growers Exchange are now co-operating in a mutual effort to secure a reduction from the pres-

²⁰ *Annual Report of General Manager, California Fruit Growers Exchange*, Aug. 31, 1916, p. 4.

²¹ Personal interview with C. Thorpe, Manager, Apr. 26, 1916.

ent freight rate of \$1.40 per cwt. on walnuts and almonds from Pacific Coast producing points to eastern markets.

HOW THE DISTRIBUTION OF THE PRODUCT HAS BEEN IMPROVED

Before the formation of growers' co-operative marketing organizations in California, the fruit shipped to points outside the state was sent almost entirely to a few of the larger markets, and difficulty was experienced in disposing of the crops to advantage, under the methods then employed, when the total annual shipments of oranges, for example, were only about 4,000 cars.²² The shipping was done by a number of firms, each acting independently of the others. The result was that some markets were oversupplied and others undersupplied. This occasioned a great disparity in prices. Reports of low supplies and high prices in a given market incited such heavy shipments to that market that the best market might quickly be made the poorest market. It was even claimed that shippers sometimes purposely "broke" certain markets in order to dissuade their competitors from continuing to offer goods in those markets. This was done principally during the period when shippers were handling the fruit on a commission basis, and the losses due to low prices fell upon the *growers* whose fruit was sacrificed in the competition between different shippers for the control of certain markets. The shippers were sure of a profit on the packing, and received a commission on the gross sales, so that the losses resulting from the unsystematic method of distributing the crop fell principally on the growers.

The returns to the growers were so low that the cry of "over-production" was set up, and in some cases large areas of fruit plantations were uprooted because the crops were netting the growers less than the cost of production. This was especially true of the raisin industry before the formation of the California Raisin Growers' Association. Almond growers had also begun to destroy their orchards for the same reason shortly before co-operative marketing of their product was instituted.²³ The orange growers did not pull out their orchards, but were greatly

²² Circular issued by California Fruit Growers Exchange, Dec. 20, 1911.

²³ Personal interview with J. B. Davidson, of the California Almond Growers Exchange, Oct. 10, 1916.

concerned because of the apparent ease with which the markets were oversupplied and prices depressed; and rumors of overproduction were rife.

The trouble was not due to overproduction, but to lack of adequate distribution. Under the marketing methods then in vogue, the growers had no control whatever over the distribution of their products; the shipping firms dictated the time of harvest, each usually striving to place as much fruit as possible on an early market in the hope of securing high opening prices, instead of supplying the market through as long a season as possible, and thus affording an outlet for larger quantities of fruit at paying prices. Moreover, the shipping firms confined their business principally to supplying the large cities with fruit, and made little or no attempt to develop markets in the smaller places. Thus for years California fruits were not generally distributed over the country as a whole, but their sale and consumption were confined principally to the large cities and immediately surrounding territory.

One of the first and most important changes in marketing policy instituted by the co-operative organizations of growers was a widening of the distribution of their products, both as to time and place. The shipping season for each of the various products has been extended as much as the nature of the commodity and the customs of the consumers will permit; and the latter are even being changed by the systematic effort of growers' co-operative marketing organizations. For example, the marketing season for lemons was formerly confined almost exclusively to the hot summer months; now lemons are shipped from California twelve months in the year. Oranges were formerly used principally during the winter and early spring, and shipping ceased entirely during the summer months; now they are handled the year round. Both these results have been brought about largely through the efforts of the California Fruit Growers Exchange in persistently calling the attention of the consuming public to the winter uses of lemons and the summer uses of oranges.

The area of distribution for their respective products has been greatly extended by nearly all the large co-operative marketing organizations of California growers, by establishing business con-

nections in practically every city in the United States and Canada which is large enough to handle the given product in earload lots. Thus many markets are supplied by direct wholesale shipments from California which formerly depended upon reshipments from the larger cities, often in small lots and at high transportation rates. Moreover, these smaller cities now serve as distributing centers from which the products are sent to the surrounding villages in a much fresher condition and at less transportation expense than when the goods were distributed only through the larger cities; and many small places are now supplied which were never reached by the former method of distribution.

It has been largely through the efforts of the growers' co-operative marketing organizations that the railroads have been induced from time to time to improve their transportation and refrigeration service. This has been brought about partly as a result of conferences by representatives of the growers with the railway officials, in which it was pointed out to the railway companies that it was to their advantage as well as that of the growers to maintain a character of service which would make it possible to place the fruit in good condition in all markets of the United States and Canada. The position of the growers was further emphasized by the establishment and collection of claims for damages whenever it could be shown that the poor condition of fruit on arrival was due to any negligence or delay for which the railway company was responsible. The relations between the railroads and the fruit growers have really passed through three stages. At first, the railroads did as they pleased, regardless of what the fruit growers said, and the growers had no recourse because they were not organized. Then came a period during which the organized fruit growers were almost continually fighting the railroad companies for better service or pressing damage suits based on claims for losses due to inefficient service. The third stage has now been reached, in which the railroad companies recognize that they and the fruit growers have mutual interests; officials of the leading fruit growers' organizations are advised with before new rulings or regulations affecting the shipment of their respective commodities are published; and certain classes of claims are promptly paid without any court

proceedings.²⁴ Thus the organizations of fruit growers have been instrumental in bringing about better relations between the railroads and the fruit industry, and in securing more efficient transportation service.

HOW DEMAND FOR THE PRODUCT HAS BEEN INCREASED

The production of California fruits, particularly citrus fruits, has been increasing much more rapidly than has the population of the United States. "The population of the United States increased 20.7 per cent from 1890 to 1900; the shipments of citrus fruits increased 195 per cent during the same period. From 1900 to 1910 the population increased 21 per cent, while the shipments increased 292 per cent during the same period."²⁵ Foreign markets, particularly those of Canada, have been developed to help take care of this increased production; but the disposition of the greatly increased quantity of citrus fruit has been made possible largely through an increase in the per capita consumption of oranges and lemons by the people of the United States. "It is through the increase in fruit-eating habit of the people that the enormous increase in the fruit production is taken care of."²⁶ This increased per capita consumption of oranges and lemons by the people of the United States is the direct result of systematic effort to that end by the California Fruit Growers Exchange. "There is no other force as powerful in increasing the use of citrus fruits as educational advertising to consumers. For seven years the [California Fruit Growers] Exchange has been advertising . . . continuously, the organization realizing that in times of financial depression advertising is a necessity, and that in times of prosperity it is an opportunity. During prosperous times, per capita consumption of oranges and lemons can be increased, new buying habits can be formed, and new uses developed more economically and more easily than under any other conditions. . . The Exchange

²⁴ Personal interview with A. M. Mortensen, Traffic Manager, California Fruit Growers Exchange, May 16, 1916.

²⁵ Address of G. Harold Powell, before meeting of Western Fruit Jobbers Association, Feb. 16, 1915. Printed in *The Western Fruit Jobber*, April, 1915.

²⁶ Address of G. Harold Powell, above cited.

advertising is increasing the use of oranges and lemons by educating the public to their delicious and healthful qualities by repeating appeals to the appetite, by tempting illustrations and displays, by constant suggestions of new uses and new reasons for using. . . . The opportunity to increase the consumption of citrus fruits is indicated by the fact that the total consumption of oranges during the Washington Navel season, including fruit from California, Florida, Porto Rico and other sources, is only two dozen per month for each family of five persons, and approximately one-half dozen per month during the Valencia season. Including imports the consumption of lemons is approximately one-half dozen per family per month throughout the year.

“The national advertising of the Exchange has been carried on during the year chiefly through seventeen magazines of which most are publications for women, and by a campaign in 333 daily newspapers. In the circulation of both magazines and newspapers more than 450 million . . . advertisements have been printed. In connection with the educational campaign 300,000 orange and lemon recipe books were distributed on request.

“In addition to the direct publicity [advertising in magazines and newspapers], the Advertising Department is co-operating with the wholesale and retail trade through the Dealer Service Department. . . . Through the Dealer Service men the Exchange is constantly studying the retail and wholesale conditions that effect the sale of citrus fruits, and applying the facts thus developed in connecting the advertising directly with the fruit trade. Merchants are shown how to make attractive fruit displays, how to sell a larger volume of oranges and lemons, how to do a more profitable business on a lower margin, how to keep fruit fresh, minimize decay and wastage, and how to take advantage of the . . . national advertising.

“This year the sales promotion work of the dealer service men involved more than fifteen thousand personal calls on retail fruit merchants; [and] more than one hundred and thirty thousand pieces of window display material were distributed. . . . Investigation . . . developed the fact . . . that 75 per cent of the oranges are retailed through local grocery stores.”²⁷

²⁷ *Annual Report of General Manager, California Fruit Growers Exchange*, Aug. 31, 1916, pp. 12-13.

"The thing that is of primary interest to the producer and the jobber is whether the retail dealer turns his stock over in the quickest possible time and thereby gives the maximum distribution of fresh fruit to the consumer and at the same time reduces decay and waste to a minimum. . . . One-half of the consumers of the country are served by the small town and country merchants. Oranges and lemons are self-sellers if artistically displayed. . . . Dealer service aids in the form of artistic window displays, which make the consumer a friend of the store and create a desire for the fruit." ²⁸

"The desire for fruit is awakened by suggestion, by seeing attractive displays of fresh, luscious fruit in the windows of the store, on the counters, or in other forms of display. . . . It is promoted by prices which bring the fruit within the reach of the average consumer. The retail dealer, more than any other factor, creates this appetite appeal, because he comes in direct contact with the consumer, and he stimulates or retards it by charging reasonable or exorbitant prices. . . . Attractive displays and quick sales, at a reasonable margin of profit on each transaction, increase the per capita consumption and make a satisfactory profit for the dealer at the end of the year." ²⁹

In making their calls upon retailers, the dealer service men explained to them "how they could make more money by selling a large volume of fresh fruit on a low margin. . . . The secret box of oranges or lemons was dragged out from behind the counter and displayed where people could see the fruit and buy while it was fresh. They showed how this method of selling would prevent loss from decay . . . and left-overs." ³⁰

Thus the work of the dealer service men, employed by the California Fruit Growers Exchange, has supplemented the advertising in magazines and newspapers in stimulating the consumption of California citrus fruits, and has also contributed directly to lowering the cost of these fruits to the consumer by

²⁸ Address of G. Harold Powell before meeting of Western Fruit Jobbers Association, Jan. 18, 1916.

²⁹ Address of G. Harold Powell before meeting of Western Fruit Jobbers Association, Feb. 16, 1915.

³⁰ Letter from W. R. Watson, Manager Dealer Service Department, California Fruit Growers Exchange, Aug. 17, 1916.

encouraging the retailer to handle large volumes of fruit at a low margin of profit rather than a small volume at a high margin.

Following the success of the California Fruit Growers Exchange in advertising as a means of promoting the consumption of their products, some of the other marketing organizations have adopted essentially the same methods. The California Associated Raisin Company commenced advertising their product in 1914, and spent \$117,452.64 in connection with the advertising campaign and other publicity work in disposing of the 1914 crop.³¹ This was equivalent to spending \$1.64 in advertising for each ton of raisins sold, but was looked upon as a very good investment,³² since it was considered the direct cause of increasing the sales of seeded raisins to bakers from 750 tons in 1914 to 7300 tons in 1915,³³ and also laid the foundation for future sales. In the course of the advertising campaign in connection with selling the 1915 crop, advertisements were carried in 348 daily newspapers.³⁴ The plans of the Company for the year commencing June 1, 1916, contemplated the expenditure of \$150,000 in advertising (including full-page advertisements in two national magazines) and \$100,000 in publicity work. In over twenty cities the Company maintains men the year round; and for several weeks during the fall has a large additional force of specialty men calling upon the trade, distributing window display material, demonstrating raisin bread, and otherwise giving publicity to the raisin as a food product.³⁵ It was planned to "call upon the retail grocers and fancy home bakers in practically every town of 5,000 population and over throughout the country."³⁶

The keynote to the raisin advertising has been "California Raisin Bread," and a large demand for raisins to be used in bread-making has been created. For example, a bakery in Flint, Michigan, "within twelve days, built up a business of 800 loaves

³¹ Statement to Growers; Raisin Settlement, 1914 Crop, September 30, 1915. *Sun-Maid Herald*, Nov., 1915, p. 6.

³² *Sun-Maid Herald*, Dec., 1915, p. 2.

³³ *Sun-Maid Herald*, Apr., 1916, p. 10.

³⁴ *Sun-Maid Herald*, July, 1916, p. 4.

³⁵ Personal interview with Wylie M. Giffen, President, California Associated Raisin Company, July 18, 1916.

³⁶ *Sun-Maid Herald*, July, 1916, p. 1.

of California Raisin Bread per day, starting from nothing;"³⁷ and after a campaign of advertising and demonstrating in Columbus, Ohio, it was estimated by the bakers that the quantity of raisin bread being consumed in that city was 15 or 20 times as great as before the campaign.³⁸ In May, 1916, it was estimated that the Company was selling at the rate of between 10,000 and 12,000 tons of raisins per year "exclusively for use in raisin bread."³⁹

The California Walnut Growers Association and the California Almond Growers Exchange also have resorted to advertising as a means of increasing the consumption and extending the distribution of their respective products.

STANDARDIZATION OF THE PRODUCT

Standardization of the product has been a large factor contributing to the success of the advertising campaigns above mentioned and to the development of markets for the commodities in question. It is impossible successfully to advertise a commodity unless it has certain definite desirable characteristics or qualities which are uniformly present in all the offerings. Such uniformity can be secured only through standardization of the product; and standardization of a horticultural product can be effected only by concerted action on the part of those who supervise the preparation of the product for market. It is only by this means that uniformity can be secured throughout a large volume of product, and a definite brand on a fruit package be made to mean always the same thing. It is true that standards of grading and packing may be established by federal or state legislation, and the enforcement of such acts vested in civil authority. But such acts can seldom be passed without the sanction of the producers of the commodity affected, or enforced without their co-operation. As a matter of fact, standardization of the products handled by growers' co-operative marketing organizations in California has usually preceded rather than followed legislative enactment; and a much more rigid and definite standard can be maintained by a co-operative organization of

³⁷ *Sun-Maid Herald*, Dec., 1915, p. 9.

³⁸ *Sun-Maid Herald*, Jan., 1916, p. 15.

³⁹ *Sun-Maid Herald*, May, 1916, p. 1.

growers whose interests are mutual than can ever be enforced throughout the state by government officials.

Soon after the organization of the citrus fruit growers was effected, a box of a definite size and shape was adopted as the standard package for oranges and another for lemons; and all associations in the organization were required to pack their fruit in these standard packages and no others. Three grades of fruit were also established and described. Later, the basis of grading was somewhat modified, and after systematic advertising was started, more complete descriptions were formulated to indicate the kind of fruit that might be packed under the advertised brands. Not only do all the managers of Exchange packing-houses have the same description as a guide, but each is visited every few days by a representative of the Field Department, one of whose chief duties is to promote as great uniformity as possible in grading and packing throughout the 162 local associations that compose the California Fruit Growers Exchange. By united effort, the Exchange has been able to so standardize the grading that the "Sunkist" brand is now recognized throughout the United States as synonymous with "uniformly good oranges and lemons," and consumers are able to order this brand over the telephone without any uncertainty as to the quality of the fruit they will receive.

The California Walnut Growers Association has adopted definite regulations regarding the grading, bleaching and inspecting of their product, and identical methods are employed by all the affiliated local associations, thus insuring uniformity in the output. It has thus been possible to dispense with all local brands, and to market all the first grade nuts under the "Diamond Brand," adopted by the organization. The organization has established a cracking test and guarantees that the nuts sold as first grade shall show at least 85 per cent of good meats. The local associations make cracking tests of each lot of nuts as brought in by the growers; then when a car is being loaded, an inspector sent out from the central association takes a sample of nuts (consisting of a "double handful") from every tenth sack, thus securing about twenty-five samples from the carload. He mixes all these nuts thoroughly; then takes out and cracks four samples of 100 nuts each, and reports to the central office the

average percentage of sound meats. He also sends to the office a four-pound sample of the nuts, which is kept, together with the car number, until the close of the season. "Near-grade" nuts are sold at a definite discount for each per cent they fall below the standard set for the "Diamond Brand;" and still lower grade nuts are run through a cracker and only the sound meats are sold.⁴⁰ The association is thus able to market the entire product of all its growers, and to supply the trade with a product of known quality.

Similar methods of securing uniformity in their product have been adopted by the California Almond Growers Exchange, and their "Blue Diamond Brand" represents a highly standardized product, the reliability of which is recognized by the wholesale trade. Before the formation of the Almond Growers Exchange, California almonds were looked upon as inferior to those imported from Europe; but the Exchange has demonstrated to the trade that the California unshelled almond, as now standardized, is superior to the imported article.⁴¹

The California Associated Raisin Company has featured a special grade of seeded raisins under the "Sun-Maid" brand, and has depended largely upon the uniformly pleasing quality of this brand of raisins, together with extensive advertising and other publicity work, to increase the consumption of and demand for raisins throughout the country. The success attending this campaign has been made possible because of the uniform quality of the raisins packed under this brand—in short, because the brand represents a standardized product.

Previous to the formation of the Sebastopol Apple Growers' Union, there was little uniformity in the grading or packing of apples in that locality. One of the principal objects in organizing the Union was to bring together the products of the numerous small orchards and standardize the pack.⁴² This has been accomplished by entirely eliminating orchard packing, and han-

⁴⁰ Personal interview with C. Thorpe, Manager, California Walnut Growers Association, Apr. 26, 1916.

⁴¹ Address of T. C. Tucker, Manager, California Almond Growers Exchange, at Berkeley, Cal., Sept. 18, 1916.

⁴² Personal interview with E. C. Merritt, Manager, Sebastopol Apple Growers' Union, July 21, 1916.

dling the whole crop under one management through the four packing-houses operated by the Union. So successful has this method been in securing a uniform pack that now the phrase "Fancy Sebastopol Gravensteins" conveys a definite meaning to the trade, and these apples are eagerly sought in the markets of Chicago, New York, and Liverpool.

Although it is usually considered impracticable to standardize a horticultural product unless the grading and packing can be done at central points by the employees of an organization rather than on the ranches by the growers themselves, the marked success attending the efforts of the Turlock Merchants and Growers demonstrates that such an attainment is not impossible, provided proper instruction and supervision are given and the growers are sufficiently mindful of their own interests to follow the specifications that have been mutually agreed upon. The cantaloupe growers in the Turlock district have usually confined themselves to small acreages of this product, and the packing is done for the most part by members of the growers' families. Such a situation is most favorable to extreme lack of uniformity in the packed product; and yet the co-operative organization, by employing expert inspectors to instruct the growers in grading and packing, has been able to put out a uniform product, which has commanded respect in the nation's markets because of its dependable quality.

PROTECTION OF THE INDIVIDUAL GROWER

As long as the individual growers sold their crops directly to speculative buyers or had them handled by shipping firms on a so-called commission basis, each grower and each community of growers was open to exploitation on the part of the buyer or shipper. And if the individual grower consigned his fruit to a distant market, instead of dealing with a buyer or shipper, he likewise was obliged to accept for his fruit whatever the distant dealer saw fit to send him.

The individual grower, acting alone, has very meager facilities for ascertaining the actual conditions in the markets of the country at a given time. Very few growers have a sufficient volume of product for sale to warrant their incurring the expense of procuring telegraphic information regarding the condition of

the various markets at sufficiently frequent intervals to be of any material service in disposing of their products. Furthermore, such information as they might secure by this means could usually be procured only from dealers in the respective markets who had no personal interest in the welfare of the grower, and whose reports to the inquiring grower might be influenced in a large measure by their own interests. In addition to this it would be impossible for each individual grower to make a systematic study of the peculiar demands of the various markets or to secure reliable information regarding the quantities of supplies likely to be available from domestic and foreign sources. In short, it would be impossible for each grower to secure by direct means sufficient data to enable him to determine what his crop is really worth. It is also true that the representatives of buyers or shippers who are sent out to deal with the growers are often able to take undue advantage of the grower in any transaction involving the sale of the latter's crop. A man who is dealing in fruit every day can drive a much better bargain from his own standpoint than can a grower whose experience in selling fruit is confined to one crop each year. The buyer would thus have a marked advantage over the grower, by reason of being continually in practice, even if the grower were naturally as keen a business man as the buyer. As a matter of fact, it is usually those men who have a natural aptitude for bargaining who are engaged in buying fruit from growers; and while there are many growers who have business instinct, and have had business experience in other fields, there are many whose natural abilities lie in the direction of the production rather than the merchandising of fruits. On the whole, the average individual grower, situated at a distance from the ultimate market for his product, is in an extremely weak position so far as the selling of his fruit is concerned.

However, by combining their interests, and forming co-operative marketing organizations, the growers of various California products have been able to change the situation entirely. At relatively slight expense per member, or per unit of fruit handled, a large organization can secure reliable information regarding the peculiarities of given markets, and the condition of the crops, both domestic and foreign; and can maintain during the

marketing season a thoroughly organized telegraphic service that will enable it to know the exact condition of each market every day.

It is the custom for the manager, or other representative, of each of the large organizations, to visit the various markets at least once a year, to confer with the "trade" and secure first-hand information regarding any peculiar requirements of a given market. It is not unusual for an organization to send a representative to foreign lands in order to ascertain the condition of given crops and the probable extent of competition from such sources. Telegraphic service that will give dependable information regarding the exact condition of the various markets from day to day can be maintained only by such organizations as have personal representatives in those markets. Probably the most efficient service of this character is that of the California Fruit Growers Exchange, which maintains salaried agents in 77 of the leading markets. These agents represent the growers in the selling of the product and the transmission of any information that will be helpful to the industry. They are in constant touch with the trade, and wire back to California daily reports citing the exact conditions. These reports are assembled in the Los Angeles office of the Exchange, and copies are sent within a few hours to every local association of the growers. The California Fruit Exchange, by special arrangement with the California Fruit Growers Exchange, makes use of the latter's agents in the handling of its crop, and secures the same kind of telegraphic service. Thus growers of citrus and deciduous fruits who belong to the co-operative marketing organizations above mentioned are kept in close touch with market conditions throughout the country. Since this information goes through the central office of the organization concerned, and since this same office has definite information regarding all Exchange shipments en route, it is unnecessary for any shipments to be made blindly. All the shipments of these two Exchanges can be made in a systematic manner, with a view to securing proper distribution of the entire product through the various markets, even though the central office acts merely in an advisory capacity, and the ultimate decision regarding the

destination of each particular carload of fruit rests with the local association that loaded the car.

Thus the likelihood of oversupplying certain markets, while others are left undersupplied, is greatly reduced. Furthermore, if supplies from other sources depress a given market, cars originally intended for that destination can be diverted to other markets, even after arrival and inspection. The presence of the personal representatives of the growers in the various markets to determine the condition of the fruit upon arrival and wire for instructions in case of a depressed market, greatly facilitates the expeditious handling of the fruit, and avoids severe losses that might otherwise occur. If the fruit were being handled through brokers — who are essentially representatives of the buyers rather than of the sellers — there would be no incentive for an agent to advise diversion if he could possibly sell the car by offering it at a greatly reduced price, for if the car were diverted from his market, he would receive no brokerage. On the other hand, the compensation of the salaried agents of the Exchange does not depend upon the number of cars sold in a given market, but upon their ability to assist intelligently in that distribution of the product which will yield to the growers the highest average returns. Thus the Exchange growers are protected from the low price that might ensue from an inadequate method of distribution.

In addition to this protection, the individual grower is protected from any severe loss in case certain cars of fruit should deteriorate in transit or for any reason be sold at a lower figure than the average price for which fruit of the same grade was selling during the same period; for all the fruit of the same grade contributed by the different growers in a given local association during the same period is pooled, and each grower receives for his fruit the average net returns for the period. The element of chance involved in individual shipments of perishable fruits to distant markets is thus eliminated. In the case of the less perishable products which are harvested within a limited period, but for which the marketing season may extend over a considerable length of time, it is customary to make only one pool for the whole season and to place in the same pool not merely the product of a given local association, but the

product of all the associations which compose the general organization. Thus no matter at what time during the season a given growers' product is sold, he receives the same price for the same grade as does every other grower in the organization.⁴³ This eliminates the element of speculation and assures to each grower the average price for the season.

PURCHASE OF SUPPLIES

In addition to performing its function as a marketing agent, a co-operative organization of growers may serve its members by acting in the capacity of purchasing agent in securing orchard or other supplies needed in large aggregate quantities by the growers. The chief advantages of such purchases are that by purchasing in large quantities under contract, the organization is able to secure the goods at lower prices than could one individual; and that because of the large quantities purchased, the organization can afford to take time and incur expense to investigate thoroughly the sources of supply of a given article and the relative merits of different offerings before placing its orders, thus insuring the grower against inferior quality or exorbitant prices. An additional advantage is the ability of an organization to secure the goods needed in times of scarcity or emergency. For example, during the freeze of 1913, the Fruit Growers Supply Company, a subsidiary organization of the California Fruit Growers Exchange, was able to secure oil in enormous quantities and on extremely short notice for operating the orchard heaters belonging to its members. Except for the established connections and prompt action of this organization, the loss to the citrus fruit growers from frost injury would have been much greater than it was.

⁴³ The placing in one pool of the entire product of a large organization composed of a number of locals is possible only where the product is of such a nature that there are no material differences in the quality or finish of the graded product, due to differences in soil, climate, or methods of culture. Walnuts, or almonds from different localities may readily be pooled, but not oranges or lemons.

CHAPTER II

FUNDAMENTAL PRINCIPLES OF CO-OPERATIVE MARKETING

The results attained by certain co-operative marketing organizations in California show plainly that such organizations are capable of securing for the grower marked advantages by reason of reducing the cost of marketing, improving the distribution and increasing the consumption of the given commodity, standardizing the product, protecting the individual against losses, and economizing in the purchase of supplies. Nevertheless, the experiences of these organizations during the process of their evolution, and of other organizations that have been attempted from time to time, indicate with fully as great certainty that, in order adequately to serve their purpose and continue in successful operation, it is essential that certain fundamental principles be observed in their organization and management. While certain organizations may continue with apparent success for a time, and others may attain a limited degree of success for a still longer time without conforming to all these principles, there is likely to be a fairly close relation between the degree of success attained and the extent to which the principles alluded to are observed. These principles may be stated as follows:

1. Organization for marketing purposes can be most readily effected when conditions in the given industry are such that the need of improvement is quite generally apparent to those engaged in the industry.

2. Unless at the time of organization, the conditions in the industry are so unsatisfactory that striking improvements are possible early in the life of the organization, the organization itself is likely to die from inertia or succumb to attacks from outside interests.

3. At the time a local organization undertakes to handle a crop, there must be a sufficient volume of one product or closely allied products represented by the membership to enable shipments to be made in carload lots and to effect a sufficient aggregate saving in the cost of marketing to more than counter-balance the expense of operation.

4. The organization must be composed of persons whose interests are similar. Membership in a growers' organization should usually be limited to actual growers of the crop to be marketed.

5. Definite provision must be made for financing the business of the organization.

6. The benefits accruing from membership in the organization should be distributed among the members in proportion to the value of the products handled for each.

7. In a properly-constituted growers' co-operative marketing organization, it makes little difference whether the voting power is based upon individuals (one-man, one-vote), volume of product, or shares of stock.

8. For the purpose of marketing the product of a large horticultural industry, an affiliation of local organizations is preferable to a single large organization made up directly of individual growers. In such an affiliation, the identity of each local should be preserved and its interests fully represented in the central organization.

9. Each organization must possess—represented either in its membership or its employees—a degree of administrative ability and business acumen commensurate with the volume of the business to be transacted and the intricacy of the problems to be solved.

10. The details of handling, selling, and distributing the crop must be adapted to the nature and volume of the product.

11. Loyalty of the individual members and mutual confidence among all factors in the organization are absolutely essential to the permanent success of any co-operative enterprise.

These principles will now be considered somewhat in detail. The remainder of the present chapter and the three succeeding chapters will be devoted to this phase of the subject.

CONDITIONS IN THE INDUSTRY AT TIME OF ORGANIZATION

Organization for marketing purposes can be most readily effected when conditions in the given industry are such that the need of improvement is quite generally apparent to those engaged in the industry.

As long as growers as individuals are receiving satisfactory returns for their products, there is no particular incentive for them to combine with their neighbors for marketing purposes. Some special difficulty which he is powerless to overcome is usually necessary to induce an American farmer to depart from his individualistic tendencies and join forces with his companions in a common cause. Prices below the cost of production, frequent "red ink" returns in the case of perishable products, accumulation of unsold products, depreciation of property values, and threatened financial disaster have characterized the conditions which led to the formation of some of the co-operative marketing organizations in California. This was true of the citrus fruit industry, the deciduous fresh fruit industry, the raisin industry at two different periods, the dried peach industry, and the almond industry. Less disastrous, though sufficiently trying, conditions prevailed among the walnut growers, Turlock cantaloupe growers' and Sebastopol berry growers immediately preceding the formation of their respective organizations. Attempts to start organizations for marketing the products of a given industry at a time when that industry was enjoying a period of prosperity, have usually been unsuccessful. In any case the difficulties of securing membership and perfecting the organization are much greater in times of prosperity than of depression.

To illustrate the circumstances that gave rise to some of the organizations, the following may be cited:

In the citrus industry the conditions had been becoming worse and worse, and the returns to the grower lower and lower until the season of 1892-3, when about half the shipments of the season resulted in "red ink."¹ Before the next crop was ready to harvest, the growers organized, feeling that such a course was

¹ Statement of C. D. Adams, Upland, Cal., in personal interview, May 15, 1916.

the only thing that would save the citrus industry from utter ruin.

In a circular issued by a "Committee of the Orange Exchanges comprising the Pomona Valley," in the fall of 1896, the following statements were made:² "Beginning with 1890, when the volume of our crop was only nominal as compared with the present one [1896], we find an unequal distribution of returns from the different commission firms. This inequality increased in 1891, and more so in 1892, but in each case the average price decreased, so that in the season of 1893 not only did growers have returns from 100 cents per box to nothing, but many actually had to pay money in addition to their entire crops of fruit for the privilege of marketing them, and instead of revenue a deficit was the result.

"Had this state of affairs continued, bankruptcy was inevitable for every orange grower. Forced by necessity, many of the leading growers held meetings and conventions where these matters were discussed, which terminated by the forming of Associations and Exchanges on the co-operative plan. That this movement has been successful, can be attested by every grower who became a member, and its benefits are admitted by all others. It at once gave every member a fair average return for his crop and no deficit."

"The [citrus] fruit growers . . . discovered that the commission men in sharp competition with each other, were flooding certain markets with fruit while others were bare, and when natural congestion followed . . . the commission men began to belabor one another, using the fruit growers as clubs with which to beat their business rivals. . . . It was absolutely necessary to change the system of marketing the crop or dig up the orange trees."³

"The commission houses grew strong, prosperous and ambitious . . . each desiring to . . . monopolize the California trade. . . . Their rivalry grew sharp and reckless of the interests of the consignor and his profits grew less and less, till

² As quoted in *Rural Californian*, Oct., 1896, p. 413.

³ Alles, Fred L., "California Fruit Exchanges vs. The Commission System." *California Cultivator*, Nov., 1895, pp. 381-383.

. . . losses began to figure in the returns. . . . Such was the situation . . . from eight to six years ago."⁴

"The most disastrous year . . . that the citrus-fruit industry in California has ever experienced was 1892-3. . . . As a result of this failure of speculative shippers to sell the year's crops at fair prices . . . a convention of growers assembled . . . in Los Angeles on the 4th of April, 1893. . . . Following the recommendation of this convention of growers, organization of associations and district exchanges was effected in all the principal citrus-fruit districts."⁵

"The panic year of 1893 hit the orange growers hard. Thousands of statements came from eastern commission houses showing, in red ink, that the fruit consigned to them had been disposed of for less than the amount of the freight and selling charges. As a consequence the growers that year turned their backs upon the commission merchants and speculators, organized the California Fruit Growers Exchange and proceeded to take the marketing of their fruit into their own hands."⁶

Preceding the formation of the California Fresh Fruit Exchange,⁷ the conditions in the deciduous fresh fruit industry were somewhat similar. "Frequently the year's returns failed to pay the year's expenses. Mortgages increased until the banks refused to lend, and discouragement approached desperation in its intensity. Men found themselves possessed of debt-laden orchards and vineyards and without the means of giving them proper care."⁸ During this period many fruit growers gave up operating their own ranches and rented them to Orientals, because they could not themselves make any money from the growing of fruit under the existing conditions.⁹

"In the Fall of 1900, a State Convention of fruit growers was

⁴ Hoag, I. N., "Marketing Citrus Fruits." *Rural Californian*, Mar., 1898, pp. 54, 55.

⁵ *Cyclopedia of American Agriculture*, Vol. IV, p. 265.

⁶ Woehlke, Walter V., "In the Orange Country." *Sunset Magazine*, Mar., 1911, pp. 251-264.

⁷ The name was later changed to California Fruit Exchange.

⁸ *A Brief History of the Deciduous Fruit Industry of California*, published by the California Fruit Exchange, Jan., 1913, p. 9.

⁹ Address of J. L. Nagle, Manager, California Fruit Exchange, at Berkeley, Cal., Dec. 11, 1916.

held at Fresno, under the auspices of the State Board of Horticulture. The question of 'Marketing Fruit' was on the program for discussion. At all of the annual Fruit Growers' Conventions of the preceding years, this same subject of 'Marketing' had been an issue of importance. At the convention of the previous year a statement had been presented showing the returns of a typical foot-hill fruit ranch in one of the most celebrated districts of the State for that season. The total returns for something over twenty thousand boxes of peaches, pears, and plums, partly sold for cash to a dealer, and partly sent East on commission by the same dealer, averaged less than twenty-two cents per package.

"This twenty-two cents had to pay (as far as it would go), for labor, farm supplies, and equipment, water for irrigating, box lumber, paper, nails, etc. . . . Ensuing discussion revealed that this was not an exceptional case. It was merely typical of existing conditions among a large proportion of the 'merely growers.'

"At the Fresno meeting of 1900 the discussion on the subject of 'Marketing' developed an interest of unusual intensity. . . . The result was the appointment of a committee clothed with power to call a meeting early in the following year.

"This meeting . . . was held . . . in the City of Sacramento, on the 15th of January, 1901. . . . Earnest deliberation resulted in the formulation of a set of by-laws" and the appointment of an executive committee "with authorization to organize the [California Fresh Fruit] Exchange."¹⁰

In the Seventh Biennial Report of the State Board of Horticulture (1899-1900) appeared a "Review of the Raisin Industry," furnished by M. T. Kearney, former president of the California Raisin Growers' Association. It stated that for five years prior to the panic of 1893 raisins had been sold by growers in the field at an average of five cents per pound. From that time till 1897 the price decreased until it was as low as $\frac{3}{4}$ cent per pound, and farmers fed raisins to their horses, in place of barley. In Fresno County alone 20,000 acres of vineyard were uprooted.

¹⁰ *A Brief History of the Deciduous Fruit Industry of California*, pp. 10-11.

“Much of this demoralization in prices was due to a system of shipping raisins on consignment to Eastern brokers. . . . To place the industry on a paying basis, the farmers organized themselves into the Raisin-Growers’ Association. . . . The movement was an entire success the first year,” and prices advanced to $2\frac{3}{4}$ cents per pound in 1898. “The success of their efforts in 1898 induced them to reorganize again for 1899 and 1900, and assisted by the fact of there being a short crop in 1899 . . . they were enabled to advance their prices to an average of $4\frac{1}{2}$ cents per pound.”¹¹

The conditions obtaining in the raisin industry prior to this organization of the growers are further illustrated by facts mentioned by Wylie M. Giffen,¹² president of the California Associated Raisin Company. Mr. Giffen took up his residence in the Fresno district twenty-eight years ago. At that time the raisin crop was relatively small and prices high. Speculators usually bought the crop. A few years later raisins became more abundant, and the buyers manipulated the market. They would contract with the growers to take their product at a specified price. If the market advanced, the growers delivered their raisins at the contract price; but if it declined, the buyers forced them to accept a lower price or stand the expense of a suit, which usually would have cost more than the difference in price of the raisins, in the case of a small grower. When the hard times occurred in 1893, the packers, who had been handling the crop, refused to buy, but were willing to handle the raisins on commission. Under this arrangement the growers sometimes received $1\frac{1}{2}$ cents per pound and sometimes “red ink.” This continued for a few years, and the whole raisin country became nearly bankrupt. The depreciation in property values was so great that Mr. Giffen bought a vineyard of 20 acres at \$50 per acre, in a location where six or eight years before the bare land would have sold for \$125, and such a vineyard for about \$400 per acre. He also bought a quarter section of land for \$11,000, the buildings on which had cost more than that sum. Banks held mortgages on vineyard property, but would not foreclose because they would lose money by so doing.

¹¹ *Seventh Bien. Rep. Cal. State Board of Hort.*, pp. 39, 40.

¹² Personal interview, July 18, 1916.

The organization which started to handle the raisin crop in 1898, known as the California Raisin Growers' Association, continued until 1904.¹³ Then there was a period, with no general organization of the growers, during which the packers handled the crop as they saw fit. The conditions during this period were thus described by Walter V. Woehlke:¹⁴ "Two hundred miles north of the citrus belt in the San Joaquin Valley lies a compact district which supplies more than half the raisins consumed in the United States. Here, also, large buildings filled with costly machinery are in operation. . . . But these buildings and their contents do *not* belong to the growers; they are the property of individuals and corporations, and they are operated solely for the pockets of these individuals and companies, with no regard for the welfare of the producer. The California orange-growers, owning the appliances for preparing their fruit for the market, are prosperous and smile. The California raisin-growers, paying annual tribute to the firms operating the packing-houses for profit, are unable to make the product of their fertile acres pay expenses. . . . Co-operation saved the citrus men from the fate of the raisin-growers."

Following this second period of depression in the raisin industry, a new organization was formed in the spring of 1913 and commenced business at a time when the unsold portion of the 1912 crop still remaining in the hands of the growers amounted to about 35,000 tons. This was the California Associated Raisin Company. It undertook the handling of this carry-over as well as the new crop coming on, and has continued as the principal factor in marketing the California raisin crop since that date.

In the dried peach industry the price paid the growers for the product kept getting lower and lower until in 1915 it was only 2½ cents per pound. This was approximately one cent below the average cost of production. Low prices were due to the fact that the packers speculated with the crop, and influenced prices to their own advantage whether buying or selling. They would tell the grower that there was not much demand for

¹³ The causes which led to the disruption of this organization will be considered under another heading (see pp. 67-71).

¹⁴ Woehlke, Walter V., "In the Service of Quality." *The Outlook*, Oct. 23, 1909, pp. 417-427.

peaches, and tell the jobber that the crop was very short.¹⁵ The growers rebelled against this treatment, and at a mass meeting in August, 1915, appointed a committee of five to investigate conditions. Subsequent meetings were held, a membership campaign conducted, the "California Peach Growers" incorporated, and business commenced by the new organization in May, 1916. As in the case of the Associated Raisin Company, one of their first acts was to take charge of the marketing of the carried-over product from the preceding year. They have also successfully handled the 1916 crop.

Preceding the formation of the California Almond Growers Exchange in 1910, the almond crop had been handled almost entirely by a few San Francisco dealers whose principal business was the handling of dried fruits. Although local associations had previously been formed for the purpose of pooling the crop of given localities and inviting bids from dealers, the desired results were not attained, for the dealers would agree among themselves and only one would bid for the crop of a given association.¹⁶ Prices kept getting lower, until the almonds were being sold for less than the average cost of production, and growers had begun to grub out their orchards. At this juncture, the Almond Growers Exchange, an affiliation of the local associations, was formed. Since that time the growers have made good profits from their orchards every year.¹⁷

Previous to the organization of the "Turlock Merchants and Growers, Incorporated," in the spring of 1915, buyers had handled the cantaloupes and other products offered by the farmers of the Turlock district. These buyers demanded wide margins for their services, and took over the products at their own prices. Under these circumstances, although the farmers grew good crops, they were unable to realize sufficient amounts from the sale of their products to pay their regular expenses. This affected the business of the merchants in Turlock, since the

¹⁵ Personal interview with J. F. Niswander, Manager, California Peach Growers, July 18, 1916.

¹⁶ Personal interview with J. B. Davidson, of the California Almond Growers Exchange, Oct. 10, 1916.

¹⁷ Address of T. C. Tucker, Manager, California Almond Growers Exchange, at Berkeley, Cal., Sept. 18, 1916.

farmers were unable to meet their obligations. It was, therefore, partly as a matter of self-preservation that the Turlock merchants (grocers, drygoods merchants and other business men) took the initiative in forming an organization through which the farmers could market their products without being obliged to accept any price the dealers happened to offer.¹⁸

The fact that the present organizations of growers representing the citrus fruit, deciduous fresh fruit, raisin, dried peach, and almond industries of the state, were without exception effected during periods of depression in the respective industries, forcibly illustrates the general principle that co-operative marketing organizations can more readily be formed at times when the given industry is in an unprosperous condition, due to the failure of existing marketing methods to bring satisfactory returns to the growers.

POSSIBILITY OF MARKED IMPROVEMENTS

Unless at the time of organization, the conditions in the industry are so unsatisfactory that striking improvements are possible early in the life of the organization, the organization itself is likely to die from inertia or succumb to attacks from outside interests.

Unless thought and effort are given unstintingly by somebody to the affairs of a co-operative organization, the organization will not prosper, or even persist; and unless it can be demonstrated early in the life of the organization that it is capable of rendering its members a distinct service that will improve their financial condition, the necessary incentive to thought and effort will be lacking. Men do not persistently put forth effort without hope of reward; and hope of future reward is best engendered by attainment of present reward. The worse the condition of an industry at the time a co-operative organization undertakes the marketing of the product, the more forcibly can the organization demonstrate its ability to serve its members, and the more pronounced will be the support it will elicit; and unless striking results can be attained there is likely to be insufficient support to enable the organization to persist.

¹⁸ Personal interview with David F. Lane, President, Turlock Merchants and Growers, Incorporated, July 19, 1916.

It is also true that a co-operative organization is likely to meet severe opposition from those interests which have previously handled the product to their own advantage. Men are loath to relinquish control over a certain source of revenue which they have previously enjoyed. This opposition is likely to take such extreme and insidious form as to result in the disruption of the organization unless its right to survive has been strikingly demonstrated to its members by reason of marked improvement in their financial condition under its operation.

Especially pernicious attacks were made against the organization of citrus fruit growers during the early period of its existence. The representatives of the shippers used almost every conceivable means in their attempt to kill this movement of the growers. They made attacks upon the integrity of the local managers and directors, trying to convince the growers that the men they had placed in charge of affairs were scoundrels and not handling the business in the interests of the growers. The purpose was to make the growers dissatisfied with the management, so that they would depose the leaders in charge and substitute some mediocre material that would be unable to handle the business successfully; and thus lead to the breaking down of the Exchange movement. Nearly every man of real ability in the Exchange was attacked in this way; and such attacks were continued by the shippers through all the early years of the Exchange.¹⁹

"It was quite to be expected that every attempt of the producers to organize would meet with bitter opposition from the middlemen. . . . It is not strange that these speculators . . . would spend large sums of money to break down organization among growers.

"It is well known that the Southern California Fruit Exchange has, ever since its beginning, been the object of most bitter and unscrupulous opposition from fruit speculators. Every form of abuse, denunciation and falsehood have been employed to create distrust. Defamation of private character and grossest libels against individuals who have been prominent in the Exchange have been the common weapons of the opposition." ²⁰

¹⁹ Personal interview with C. D. Adams, Upland, Cal., May 15, 1916.

²⁰ *Rural Californian*, Mar., 1898, pp. 61-62.

Another method reported to have been employed by the opponents of the citrus growers' organization was the intentional glutting of certain markets in anticipation of the arrival of fruit which had been sold by the growers f. o. b. California, to dealers in those markets; "thus demoralizing the market and causing dissatisfaction in the minds of Exchange customers."²¹

In reviewing the first year's operation of the organized orange growers,²² T. H. B. Chamblin said: "No movement among fruit growers for the purpose of enabling them to handle their own business, was ever so maliciously misrepresented and maligned as the Southern California Fruit Exchanges, and no organization ever accomplished so much in so short a time. It is no exaggeration to say that the organization saved to the growers of oranges no less than \$750,000 to \$1,000,000 that but for the organization would never have materialized."

So persistent were the enemies of the citrus fruit growers' organization in disseminating their misrepresentations that definite action to counteract their influence was deemed necessary. Nov. 13, 1895, a committee was appointed to formulate a "circular to the trade contradicting the statements made in anonymous circulars and other circulars and publications in which the Exchanges have been placed in a wrong light before the trade."²³ Feb. 5, 1896, the Board of Directors voted "that the matter of the misrepresentations in the newspapers be referred to the Chairman, and he be authorized to make such corrections as he deems proper;"²⁴ and June 24, 1896, it was voted "that a committee be appointed to formulate some plan of repudiating incorrect statements which may be published and to issue such repudiation in circular or publication as they may deem best."²⁵

At a called meeting of representatives from the various exchanges and local associations, August 5, 1896, the following

²¹ Minutes of Meeting of Executive Board of Southern California Fruit Exchanges, Dec. 19, 1894.

²² *Rural Californian*, Dec., 1894, pp. 635-636.

²³ Minutes of Board of Directors, Southern California Fruit Exchange, Nov. 13, 1895.

²⁴ Minutes of Board of Directors, Southern California Fruit Exchange, Feb. 5, 1896.

²⁵ Minutes of Board of Directors, Southern California Fruit Exchange, June 24, 1896.

resolution was adopted: "Resolved: That it is the sense of this meeting that the interests of this organization demand a more direct medium of communication with the growers whose interests are involved to the end that they may be more promptly and fully informed as to the methods, objects and purposes of the Exchange, the conditions of the markets, the disposition of the fruit, and such other matters as shall tend to bring them into closer relation with the system. To this end we recommend that the Board of Directors commence at once the publication of a paper of such character as shall in their judgment best meet the requirements above outlined."

Before the end of September, 1896, arrangements had been completed for the publication of this paper, to be known as the "Fruit Exchange Review," under the editorship of T. H. B. Chamblin,²⁶ and the first issue appeared in either September or October of that year. Admission to the mails as second-class matter was denied this publication;²⁷ and on June 30, 1897, publication was "temporarily suspended"²⁸ and was never resumed.

A few years later, at a time when one of the leading daily newspapers of Southern California was largely owned and controlled by one of the fruit shippers who was a bitter enemy of the Southern California Fruit Exchange, arrangements were made by the Exchange with the *California Cultivator* for the conducting of a department in that paper for the direct purpose of counteracting the influence of matter derogatory to the Exchange appearing in other papers.²⁹ This department was called "From a Business Standpoint." It was started May 18, 1900, and was continued until July 1, 1904.

Thus for years, the Southern California Fruit Exchange was obliged to fight its way against misrepresentation to the trade and to citrus fruit growers both without and within its own ranks.

²⁶ Minutes of Board of Directors, Southern California Fruit Exchange, Sept. 9 and 23, 1896.

²⁷ Minutes of Board of Directors, Southern California Fruit Exchange, Apr. 28, 1897.

²⁸ Minutes of Board of Directors, Southern California Fruit Exchange, June 30, 1897.

²⁹ Personal interview with C. B. Messenger, editor *California Cultivator*.

Somewhat similar conditions of misrepresentation and antagonism by shipping interests obtained for a time in reference to the California Fruit Exchange (the growers' organization handling deciduous fresh fruits) and the California Almond Growers Exchange. The steady progress of the Southern California Fruit Exchange, in spite of opposition, and at times serious depletion of its ranks caused by that opposition, has been a source of encouragement to these other organizations during their early struggles for existence.

VOLUME OF PRODUCT NEEDED

At the time a local organization undertakes to handle a crop, there must be a sufficient volume of one product or closely allied products represented by the membership to enable shipments to be made in carload lots and to effect a sufficient aggregate saving in the cost of marketing to more than counter-balance the expense of operation.

While shipments to nearby markets might be made in less-than-carload lots, the principal volume of California's horticultural products must be placed in distant markets; and economically to reach such markets carload shipments are essential because of the wide difference in freight rates on carload and less-than-carload lots. The loading of a car of perishable fruits must be completed at the point where the shipment originates, for the car cannot be properly braced to insure the safe carriage of its contents until the loading is completed. It is not feasible to employ "pick-up cars," as is often done for short distance shipments, because the haste attending the loading under such circumstances would not permit the proper "stripping" of the cars for long distance shipment. If the car were partially loaded at each of several different shipping points, it would be difficult to fix the responsibility in case of damage resulting from improper loading. Furthermore, the proper refrigeration of a perishable product would be interfered with if the car were repeatedly opened to add to its load. It is therefore quite essential that a local association be able to ship its product in carload lots.

The advantages of having only one product or a few closely allied products are that interest is concentrated, and complications arising from shipping unlike commodities in the same car are avoided.

Since it is necessary that a co-operative organization be able to demonstrate clearly its ability to serve its members, and since the most tangible evidence that will directly appeal to the membership of a local shipping association is a reduction in the cost of marketing, it is important that the volume of business transacted be sufficiently large to permit the economical employment of labor in handling the product and loading the cars, and to prevent the saving in other quarters from being absorbed by overhead expenses. There must be sufficient business fully to employ the time and energy of the manager or other salaried officer. Attempts to conduct the affairs of a co-operative marketing organization without one responsible officer devoting his entire time to the matter, at least during the shipping season, have not usually given satisfactory results. To warrant the employment of a man for handling the business there must be sufficient business to pay his salary out of the saving in marketing expense, and still leave some balance to the credit of the growers. And from the standpoint of society in general, unless a co-operative organization can handle a given product at a lower marketing cost than it was handled by previously-operating factors, its existence is not justified.

Just how large the volume of the product must be in order to insure its economical handling by a co-operative marketing organization depends somewhat upon the nature of the given product. Mr. Geo. H. Cutter,³⁰ president of the California Fruit Exchange, has stated that in the handling of deciduous fresh fruits there is little chance of a local organization of growers being able to finance its operations if the output is less than thirty carloads during a season, unless it is of such a nature that it all is ready for shipment within a short period and there is a good local man who can and will devote his time to the handling of the business for that short period and then be of no further expense to the association. In the case of citrus fruits, a larger volume of product is necessary, since more elaborate equipment is needed for properly handling the crop. G. Harold Powell, general manager, California Fruit Growers Exchange, has stated that, "It is not usually practicable in the orange business, for

³⁰ Personal interview, July 20, 1916.

example, to organize an association and build a packing-house unless there are at least 150 cars of fruit to ship.'''³¹

It would seem, then, that the volume of the product to be handled in a given locality is a factor of considerable importance in determining the likelihood of success or failure of a growers' local co-operative marketing association.

³¹ *Yearbook, U. S. Dept. of Agr.*, 1910, p. 402.

CHAPTER III

BASIS OF MEMBERSHIP

The organization must be composed of persons whose interests are similar. Membership in a growers' organization should usually be limited to actual growers of the crop to be marketed.

It has already been suggested that a growers' co-operative marketing organization can more satisfactorily handle one product or a few closely allied products than a diversity of products. This is partly because of the greater facility with which shipping may be accomplished and trade connections established; but also because a common interest in the production and marketing of some one specialized crop serves as a potent force in binding together the members of the organization. Those whose interests center in the same crop as the chief product of their agricultural effort have much more in common than have a group of persons each of whom is primarily interested in a different crop. Greater concentration of thought, greater unanimity of purpose, and more ready determination and execution of policies are possible in an organization composed of growers of the same product. Moreover, the mental attitude of persons engaged in the growing of some special crop requiring particular care or peculiar conditions is likely to be more conducive to co-operative effort than that of persons engaged in the production of a general assortment of ordinary farm crops.

Not only should the members of a co-operative marketing organization be interested in the growing of the same product; but a given local unit of organization should be composed of persons living within a limited area. There are two distinct advantages which may arise from limiting the membership of a local organization to a comparatively small geographical area. (1) There is much more likelihood that the members will become fully acquainted with one another — and thorough acquaintance

is essential to successful co-operation. (2) The aims and ideals of the various members, the methods of culture they employ, and the quality and finish of their product are more likely to be similar if all live in the same community than if they are distributed over a wide territory. The concentration of orange production in certain regions, thus making possible strong local organizations in limited areas, has been a factor of no small importance in contributing to the success of the California Fruit Growers Exchange; and the difficulties experienced in trying to organize the olive growers of the state have been intensified by reason of the fact that the olive crop is produced in widely scattered areas.

Various attempts to combine in one organization the interests of growers and commercial packers or dealers have clearly demonstrated the incompatibility of such an arrangement. The early attempts at organization in the orange industry were along this line. The Orange Growers' Protective Union, incorporated at Los Angeles, 1885;¹ the Fruit Growers Union of Southern California, organized in Los Angeles County in January, 1891;² the Riverside Orange Trust, incorporated in December, 1891;³ and the Riverside Orange Growers and Packers Protective Association, operating during the seasons of 1892 and 1893,⁴ all mark attempts to harmonize the interests of growers and packers in the marketing of oranges. Each had a short and more or less turbulent period of activity; and each ultimately failed because it was not founded upon correct principles. It was not until the growers decided to abandon attempts to reconcile their interests with those of the packers that real progress was made in organization for the marketing of California's orange crop. Following the disruption of the Riverside Orange Growers and Packers Protective Association on February 25, 1893, and subsequent demoralization of the markets,⁵ meetings of orange growers were held at Colton, March 21 and 28, "to secure some

¹ *Riverside Press and Horticulturist*, Nov. 28, 1885, p. 2.

² *Riverside Press and Horticulturist*, Jan. 24, Jan. 31, and Nov. 28, 1891.

³ *Riverside Press and Horticulturist*, Dec. 5, Dec. 12, and Dec. 26, 1891.

⁴ *Riverside Press and Horticulturist*, Jan. 30, and Dec. 31, 1892; Jan. 7, Feb. 11, and Mar. 4, 1893.

⁵ *Riverside Press and Horticulturist*, Mar. 11 1893.

groundwork of common action for the future.”⁶ At the second of these meetings, Mr. T. H. B. Chamblin, of Riverside, “was the principal speaker, and he confined himself mainly to showing that the remedy for present evils was in the hands of the growers themselves. . . . Remarks were made by representatives from various sections, which showed all were awake to the necessity of co-operation.”⁷ Commenting upon the situation, the editor of the *Riverside Press and Horticulturist* remarked: “It is evident that the sentiment is steadily growing in favor of some effective co-operation among the fruit producers, and the recent suicidal policy of certain dealers is doing more than anything else to convince them of its necessity.”⁸ After the Southern California Fruit Exchanges (organized as a result of the concerted movement among orange growers, following the meetings at Colton and a later meeting at Los Angeles, April 4, 1893)⁹ had been in operation for one season, C. C. Thompson, a director in the Semi-Tropic Exchange, and president of the Pasadena association, made the statement that “A great deal of co-operative work in the past has been attempted upon the plan of uniting the grower and seller — a plan that is obviously impractical as their interests are inimical.”¹⁰

CALIFORNIA FRUIT AGENCY

In 1893 the citrus fruit growers seemed fully convinced of the impracticability of any alliance with the commercial packers and shippers, and resolutely set about the formation of their own marketing organization independent of all existing local operators. Ten years later, after the co-operative marketing organization of the growers had thoroughly demonstrated its ability to handle successfully the output of its members and was recognized by the trade as the most important factor in the marketing of citrus fruits, it came very near being wrecked by an unhappy alliance with the commercial operators, under the name of the California Fruit Agency.

⁶ *Riverside Press and Horticulturist*, Mar. 18, 1893.

⁷ *Riverside Press and Horticulturist*, Apr. 1, 1893.

⁸ *Riverside Press and Horticulturist*, Apr. 1, 1893.

⁹ *California Cultivator*, Apr., 1893, p. 100.

¹⁰ *Rural Californian*, Oct., 1894, p. 533.

Since the period of the California Fruit Agency (April 1, 1903, to August 31, 1904) usually has been given only passing mention in accounts describing the marketing methods that have been employed in the handling of California citrus fruits, and since the experience of this organization serves as one of the most striking illustrations of the utter unfeasibility of permanently harmonizing the antagonistic interests of growers and commercial shippers, some consideration of the conditions which led to the formation of the California Fruit Agency, the difficulties encountered in its operation, and the causes which led to its dissolution, seems warranted in this place.

The formation of the California Fruit Agency was a sincere yet unsuccessful attempt to combine the growers and shippers into one organization for the benefit of the entire citrus industry. At a time when all the markets of the country were completely demoralized by reason of the presence of large supplies of oranges showing excessive decay following a period of wet weather, and the various independent shippers were each acting alone in their efforts to find markets where oranges could be sold,¹¹ Mr. G. W. Felts, a member of one of the commercial shipping firms, conceived the idea of uniting the whole citrus industry into one marketing agency that could control distribution, eliminate competition and restore the markets to something like normal condition. He thought that the logical way to handle the citrus fruit crop was to have all interests united, and that the psychological moment had arrived for bringing about such a union. At that time there were a number of firms of packers or shippers, who bought fruit from growers or packed and sold fruit for the growers at a specified price per box.¹² A certain group, including all the prominent firms, was supposed to control at that time about 42 per cent of the crop in the aggregate, and the Southern California Fruit Exchange was credited with controlling 47 per cent.¹³ Mr. Felts' idea was to bring together these interests representing practically 90 per cent of the crop, and thus eliminate "cut-throat" methods,

¹¹ Naftzger, A. H., "Conditions Leading to the Organization of the California Fruit Agency." *Riverside Daily Press*, June 5, 1903, p. 5.

¹² Personal interview with G. W. Felts, Apr. 25, 1916.

¹³ *Los Angeles Times*, Mar. 31, 1903, p. 7.

the playing of one firm against another by brokers to force down prices, and excessive marketing expense due to useless wiring and the duplicating of agents.

The marketing methods of the Exchange and the "Independents," or packers, were entirely different, in that the Exchange sold almost entirely on a delivered basis, while the packers pushed f. o. b. sales as much as possible. Although there was keen competition amongst the various packers, they hated the Exchange worse than any of their own number, and were collectively fighting the Exchange at every opportunity. The Exchange, on the other hand, was opposed to the independents as a class, because they were continually disturbing market conditions by consigning cars to markets already supplied.¹⁴

In spite of the advice of his partner that it would be impossible to unite these two antagonistic interests, Mr. Felts secured an audience with the president and general manager of the Exchange, and laid the matter before him. After a long conference, the latter agreed that such an arrangement as that suggested by Mr. Felts would be ideal, but held that it could not be brought about because of the antagonistic nature of the two elements and the lack of union among the independents. However, he stated that if all the independents would join such a movement, the Exchange would do likewise.

Mr. Felts then talked with the independent packers one after another, and secured favorable consideration of his project by all with whom he consulted. Then these packers united to form the California Citrus Union, in order that the proposed general marketing agency might be composed of the two large organizations the Southern California Fruit Exchange and the California Citrus Union. Committees representing each of these organizations were in almost continuous session day after day. The "negotiations" that resulted in the formation of the Agency "involved a great deal of thought, consideration, deliberation, concession, and sinking of differences and trying to get together for the protection of the industry itself."¹⁵

That great things were expected of the new organization was

¹⁴ Personal interview with G. W. Felts.

¹⁵ Naftzger, A. H., "Marketing Citrus Fruits." *Proceedings 28th Fruit Growers Convention*, May 5-8, 1903, pp. 74-78.

evident from the announcements made to the public and to all Exchange members just before the business was taken over by the Agency. Under the heading, "Hammer out of Business . . . Exchange and Independent Shippers Together for the Marketing," an article in the *Los Angeles Times* states:¹⁶ "Official announcement is made of the new fruit-handling merger, which promises to work a revolution . . . in marketing the citrus fruit crops of Southern California. A deal has been consummated that combines the Southern California Fruit Exchange and the independent shippers. . . .

"These two interests, heretofore antagonistic, are to merge into a corporation, to be known as the California Fruit Agency, through which practically all the oranges grown in California will be placed upon the market to the best advantage of all the growers. . . .

"The primary object of the new venture is to eliminate ruinous competition, prevent glutted markets and provide equal distribution of the output throughout the United States. The amalgamation of all shippers, it is claimed, will work to the establishment of a uniform price, protect the eastern buyer and do away with heavy losses from rejections and hurtful speculation. Furthermore, it is urged, eastern consumers will get their oranges at the same price per dozen as they are paying now, but the methods used by the middlemen to hammer down this [his] buying price will be impossible, and the grower will reap the benefit."

The announcement sent out by the central office of the Exchange to its members, was as follows:¹⁷

"To all Exchange Members — Gentlemen: This will announce to you the organization of the California Fruit Agency, organized for the purpose of marketing the citrus fruits of California for the exchange, shippers, and growers, alike on a co-operative basis. This organization will become the selling agency for all parties to the arrangement with similar aims and policies as the Southern California Fruit Exchange.

"After long and painstaking negotiations, we have reached a plan which we confidently expect will very greatly facilitate the

¹⁶ *Los Angeles Times*, Mar. 31, 1903, p. 7.

¹⁷ As quoted in *Los Angeles Times*, Mar. 31, 1903.

marketing of our fruit. Under the arrangement which we have made, all of the principal shippers who have been for years engaged in the business, join in the marketing agency. They continue in the business practically as packers, putting at the service of the growers not members of the exchange their numerous packing-houses and extensive facilities, and at a less cost to the grower than heretofore. . . .

"If it should be alleged that this is a trust, our answer is that we neither seek to limit production nor to fix arbitrary prices, and therefore it is not any more in the nature of a trust than is the exchange. . . .

"Southern California Fruit Exchange."

A few days later, the president of the Exchange was quoted as saying:¹⁸ "Every interest of every Exchange member has been guarded with the utmost care, and at the same time facilities for marketing will be offered to the growers outside of the Exchange better than they have ever had before. . . . The consolidation has been arranged upon such equitable terms that animosities between the people in and out of the Exchange should cease, because both are put in better shape than before to get the value of their products."

For a short time it looked as though the California Fruit Agency were the solution of all the marketing problems pertaining to citrus fruits. When it started business April 1, 1903, the Agency took over some 1800 cars of fruit en route and on tract unsold,¹⁹ at a time when all markets were congested, demoralized and in a deplorable condition, and the situation altogether disheartening. However, within a short time, the congested condition of the markets was relieved, and the situation entirely changed. Wider distribution of the crop was secured than previously, for agents were shifted to new points, without additional expense to the industry, for previously both the Exchange and some independent had maintained representatives in the same market. Thus the former agents of both, maintained now by the Agency, were able to cover a larger number of markets. J. C. Curtiss, a representative of the Citrus Union, was

¹⁸ *Riverside Daily Press*, Apr. 9, 1903, p. 2.

¹⁹ Personal interview with G. W. Felts, Apr. 25, 1916.

quoted as saying:²⁰ “. . . only the prompt organization of the packers saved the great orange industry from going to the wall this spring. . . The worst slump the orange market ever had was just ahead of us and this organization was the only thing that could save it. And it did save it.” A few weeks later, the general manager of the Agency and president of the Exchange stated that,²¹ “Shipments during the month of May were 50 per cent greater than during the same period in any previous season, and the fruit ran to large sizes and did not have good carrying qualities. . . Nothing but the existence of the Agency has prevented a total collapse all along the line.”

But, in spite of this apparent accomplishment of its object by the Agency, matters within the organization were by no means harmonious. Since the occasion of forming the Agency was a special emergency in market conditions, and since that emergency could be met only by prompt action, the board of directors of the Southern California Fruit Exchange (composed of one representative from each district exchange) acted on behalf of that organization without first referring the matter to the various district exchanges and local associations for consideration. Such a procedure would have delayed action until after the marketing season for that year was over. Even as it was, the Agency took charge of the marketing of the fruit several weeks before all the provisions of the agreement between the Exchange and the Agency were definitely determined.²² It was not until May 15 that copies of the agreement were sent to the several district exchanges for ratification. That an enthusiastic response was not received from all the exchanges is indicated by the fact that on September 4 a second request was ordered sent to the exchanges that had not ratified the agreement.²³ In the meantime, conditions within the Southern California Fruit Exchange became so strained²⁴ that one of the

²⁰ *Riverside Daily Press*, Apr. 15, 1903, p. 3.

²¹ *Riverside Daily Press*, June 5, 1903, p. 5.

²² Minutes of Board of Directors, Southern California Fruit Exchange, Apr. 1, 17; May 1, 15, 1903.

²³ Minutes of Board of Directors, Southern California Fruit Exchange, Sept. 4, 1903.

²⁴ Minutes of Board of Directors, Southern California Fruit Exchange, May 1, 9, 14, 15, 22, June 26, Aug. 7, 21, 28, 1903.

district exchanges voted to withdraw from the organization, and was prevailed upon to rescind its action only after strenuous conciliatory efforts on the part of Mr. Felts²⁵ and others.²⁶

The feeling among some of the component parts of the Southern California Fruit Exchange, pending the ratification of the agreement with the Agency, was expressed in a resolution adopted by the San Bernardino County Fruit Exchange, July 14, 1903, and presented to the Southern California Fruit Exchange: "Be it resolved, that we hereby respectfully request that the So. Calif. Fruit Exchange quickly return to those sure principles upon which the organization which has done so much for the citrus industry of California was based; that no alliance be made or recognized which involves repudiation of contracts, or discrimination against loyal members of the Exchange or the adoption of methods proven to be false.

. "That only such alliance be made as the management and rank and file of the Exchanges shall judge to be for the best interests of the industry and just to all.

"All this to the end that the integrity and harmony of the Exchanges may be maintained and their beneficent influence be perpetuated." ²⁷

One provision in the agreement which was particularly distasteful to the local associations of the Exchange, and which was the primary cause of the dissension mentioned above, was that prohibiting any increase in the membership of the Exchange except under certain regulations or with the consent of the Agency.²⁸ This provision had been agreed to by the directors of the Exchange in response to the demands of representatives of the Citrus Union that definite assurance be given them that sufficient fruit would always be left outside of the Exchange, and thus available to the commercial packers, to insure abundant

²⁵ Mr. Felts was Secretary of the California Fruit Agency throughout its existence.

²⁶ *Riverside Daily Press*, Sept. 5, 1903, p. 4. Also Minutes of Board of Directors, Southern California Fruit Exchange, Sept. 11, 1903.

²⁷ Transcribed from the original document, in office of California Fruit Growers Exchange, Los Angeles.

²⁸ Original document, bearing seals and signatures, in office of California Fruit Growers Exchange, Los Angeles.

material for the operation of their packing-houses.²⁹ New shippers were to be required to go wherever the committee of the Agency directed. The independent feeling of human nature asserted itself against this dictation to such an extent that a "grievance committee" had to be appointed to take charge of the numerous complaints. While the committee usually decided that the fruit of a given orchard was to be handled through the packing-house to which its location made it naturally tributary, many growers were dissatisfied, and trying times were experienced. Jealousies and discord between Exchange men and Citrus Union men were continually coming to the surface and the old animosities cropping out.³⁰

According to Mr. Felts' original plan, the commercial packers who united to form the Citrus Union, were to act merely as packing agents for the organization at a specific price per box — that price being sufficient to yield them a fair profit. He proposed that in any given locality where both an Exchange packing-house and an independent packing-house were operating — the Exchange charging only the actual cost for packing and the independent packer making a profit — a uniform charge for packing in both houses be established, said charge being the average of the two rates formerly obtaining at the two houses. Such an arrangement would have given neither house an advantage with the grower. It was hoped that this would eventually result in a uniform charge for packing throughout the entire citrus district, and have a large tendency to eliminate local jealousies and prejudices. However, the two factions could not get together on this point, and it was never adopted.³¹ This is merely a further illustration of the fact that a co-operative organization of growers, one of the fundamental principles of which is to charge only actual cost for all services, and a commercial organization whose operations are carried on for profit, cannot agree upon the same charge for the same service. Their objects are too diverse to permit such an agreement.

Another feature regarding which the two factors making up the California Fruit Agency were unable to agree was the or-

²⁹ Personal interview with W. N. Chamblin, Riverside, May 27, 1916.

³⁰ Personal interview with G. W. Felts, Apr. 25, 1916.

³¹ Personal interview with G. W. Felts, Apr. 25, 1916.

ganization of the sales department. It had been understood that R. H. Wilkinson (secretary of the Exchange) was to be sales manager of the Agency,³² with T. M. Simpson and F. J. Harrigan (who had been salesmen for independent packers) working under him. However, it was agreed that Simpson and Harrigan should be allowed to dispose of the inferior fruit of the Citrus Union then en route and in the markets, before this arrangement was put into effect. Somewhat later when a member of the "marketing committee" of the board of directors suggested that the sales department be organized as originally contemplated, it developed that the Citrus Union would not concede this point,³³ and each of the three members of the "Sales Department" continued to work independently, the territory being divided among them. At a subsequent time, Mr. Felts, secretary of the Agency, attempted to bring about the organization of this department on a stable basis, but the lack of harmony between the representatives of the Exchange and the Union, on the board of the Agency, forestalled this action.³⁴ Each factor evidently desired to exercise more control over the marketing policies than would be possible if a man in sympathy with the marketing methods of the other factor were placed in charge of the department. Thus, the sales department was never thoroughly organized, and an element of weakness was left which contributed to the final dissolution of the Agency.

In the season of 1903-4, the brokers and commission men who had been left out of the new plan of distributing the citrus crop, "put every object possible in the way of the Agency's marketing."³⁵ It was said that the merger threw 200 to 400 brokers out of employment. "These are [were] all working against the interest of California fruit instead of for it."³⁶ The independent shippers in California (those outside of the Agency) also fought the Agency. Price-cutting and the sacrifice of fruit to punish their opponents or gain control of certain

³² Minutes of Board of Directors, Southern California Fruit Exchange, Apr. 1, 1903.

³³ Personal interview with P. J. Dreher, June 30, 1916.

³⁴ Personal interview with G. W. Felts, Apr. 25, 1916.

³⁵ *Riverside Daily Press*, Mar. 26, 1904, p. 5.

³⁶ *Riverside Daily Press*, Apr. 4, 1904, p. 6

markets were resorted to on both sides. This policy, together with a long period of cold weather and the largest crop that had yet been harvested, demoralized the markets. By March 10, the situation was attracting serious attention on the part of the growers. An item in the *Riverside Daily Press* on that date said: "The returns are low of late, in some cases averaging 10 to 20 cents a box. In other cases there is absolute loss. . . . The Fruit Agency people figure that the average returns have been about 40 cents a box." The Agency was reported to have said that the poor market was "due to the prolonged cold weather in the East." Growers were quoted as saying that it was "largely due to the fact that the dealers have been admitted into the growers' combination; and that, further, because of the trust's method of doing business the hostility of hundreds of brokers and dealers in the East has become arrayed against California oranges." The item further stated: "There is widespread discontent among the growers . . . and an attempt is being made to call a mass meeting . . . for . . . considering the situation."³⁷ One of the local associations in the Exchange had "adopted resolutions asking that the arrangement existing between the growers in the fruit exchanges and the dealers in the Citrus Union be dissolved."³⁸ On March 17, the statement was made that "The present season [1904] has so far certainly been the most unsatisfactory to the grower that he has ever experienced."³⁹ Mention was made of a grower whose fruit was handled by an independent shipper, who received 17 cents in postage stamps for 100 boxes of oranges.⁴⁰ March 25, E. P. Ripley, president of the Santa Fe Railway, was quoted as saying "that the competition among different orange factors is the chief cause of the weakening of the industry."⁴¹ It was also stated that "widespread dissatisfaction exists among the growers." The growers felt that there had been something wrong with the marketing methods or management; that the

³⁷ *Riverside Daily Press*, Mar. 10, 1904, p. 7.

³⁸ *Riverside Daily Press*, Mar. 10, 1904, p. 7.

³⁹ *Riverside Daily Press*, Mar. 17, 1904, p. 2.

⁴⁰ *Riverside Daily Press*, Mar. 31, 1904, p. 7.

⁴¹ *Riverside Daily Press*, Mar. 25, 1904, p. 6.

cold weather and the "largest Florida crop since the great freeze" could not account for the poor market.⁴²

Various rumors and reports were published by those opposed to the Agency, with a view to bringing about dissension and strife among the various interests in California. Finally a series of charges attacking the integrity of the general manager of the Agency was published in a local paper owned and controlled by a member of one of the local associations belonging to the Exchange.⁴³ Although he was cleared of all these charges by a "Commission of Inquiry," whose investigations and deliberations extended from April 25 to August 27, 1904,⁴⁴ he did not continue his connection with citrus marketing organizations after September 1, 1904.

In the meantime, following agitation among the constituents of the organization,⁴⁵ the board of directors of the California Fruit Agency had voted to "discontinue business." The official statement announcing this decision was, in part, as follows:

"At a meeting of the board of directors of the California Fruit Agency, held May 20, 1904, the following was unanimously adopted:

"As this organization has not received the general approval and earnest support of the growers necessary to complete and permanent success, we deem it advisable to discontinue business on September 1 next, closing the accounts as soon thereafter as possible. . . .

"The California Fruit Agency will, in deference to the express view of its growers, discontinue business on September 1, next, and thereafter the Southern California Fruit Exchange will resume business, and the California Citrus Union as a corporation will become an active marketing factor."⁴⁶

At the same time the board of directors of the Southern California Fruit Exchange issued a statement addressed to Ex-

⁴² *Riverside Daily Press*, Mar. 25, 1904, p. 2.

⁴³ Minutes of Board of Directors, Southern California Fruit Exchange, Apr. 1, 1904.

⁴⁴ The full report of this "Commission of Inquiry" is contained in two volumes aggregating over eleven hundred pages of typewritten matter, in the office of the California Fruit Growers Exchange, at Los Angeles.

⁴⁵ *Riverside Daily Press*, Apr. 14, 1904, p. 3.

⁴⁶ *Riverside Daily Press*, May 21, 1904, p. 4.

change members. Referring to the formation of the Agency, it said: "This undertaking was entered into in good faith and every effort in our power has been put forth to make it a success." It then continues: " . . . The growers outside the Exchange did not come into the organization in such numbers, and give support to it, as was necessary to complete success. There were also other insurmountable difficulties to contend with, which should not be overlooked by growers. In voting to discontinue the business of the California Fruit Agency on September 1st next, it is with the expectation that the Southern California Fruit Exchange will resume active business at that time with such changes in policy and plans as changed conditions may require, and such as the growers through their local Exchanges may dictate.

"The contract of the Exchange remains in full force until August 31, 1905. Many growers have complained that under the Agency agreement new members could not be admitted to the Exchanges. Their desire to co-operate will now be tested, as the Exchanges will be free to take members, and will be prepared to market fruits after September 1st.

"Opposition from parties with adverse interests and criticism from parties who know nothing about the business will probably be continued, but Exchange members should pay no attention to these things, but give full support to a marketing system under their own control, and which has heretofore proved its efficiency."⁴⁷

As contemplated in these announcements, the California Fruit Agency ceased activity September 1, 1904, and the Southern California Fruit Exchange resumed the marketing of fruit for its members, and has continued in active operation ever since (though its name has been changed to the California Fruit Growers Exchange).

The primary cause of the failure of the California Fruit Agency to meet the requirements of a marketing agency for California fruits was the impracticability of harmonizing the interests of the component parts of the organization, consisting as they did of co-operative organizations of growers on the one hand

⁴⁷ Minutes of Board of Directors, Southern California Fruit Exchange, May 20, 1904.

and commercial firms of packers and shippers on the other. Although the Agency was apparently successful in fulfilling its purpose in the spring of 1903, and relieved the congestion in the markets almost immediately following its formation, it did not succeed in preventing an even worse congestion a year later. This failure was probably due in part at least to the introduction of marketing policies which never received the sanction of the growers, and to the general lack of harmony in the sales department. As the only means which would subserve the interests of both growers and packers in one organization, a large amount of arbitrary control and authority was necessarily vested in the central body. Such an arrangement was diametrically opposed to the principles of true co-operation; and its disapproval by the local co-operative associations of growers was the logical outcome. The movement for coalition did not originate among the growers. It was an attempt at organization from the top downward, instead of from the bottom upward. The agreement which formed the working basis of the California Fruit Agency was a compromise worked out by the officers of the Southern California Fruit Exchange and representatives of the shipping firms, in attempting to reconcile the adverse interests of growers and commercial shippers; and it contained provisions to which the growers in the Exchange associations would never have submitted if their wishes had been consulted before the action was taken. The California Fruit Agency failed to persist because it was an attempt "to put into double harness two forces whose interests are not common, and who cannot work together successfully."⁴⁸

OTHER ATTEMPTS TO COMBINE GROWERS AND DEALERS

Attempts to combine the interests of growers and dealers have also been made in the deciduous fruit industry. The California Fruit Union, incorporated November 13, 1885, started as a strictly co-operative organization with membership limited to growers.⁴⁹ However, after one season's operation, during which severe competition with commercial shippers was experienced, and neither growers nor shippers made much money, the by-laws

⁴⁸ *Riverside Daily Press*, May 18, 1904, p. 2.

⁴⁹ *Bien. Rep. Cal. St. Bd. of Hort.*, 1885-6, pp. 78-97. Also *Pacific Rural Press*, Nov. 14, 1885, p. 397.

were changed so that commercial shippers were admitted to the organization.⁵⁰ Under the new arrangement the Union handled a much larger amount of fruit⁵¹ and was reported to be still "in successful operation" in 1892;⁵² but it had retired from business before the opening of the shipping season of 1894.⁵³ Its policies were largely dominated by the shippers and this caused the growers to withdraw their support.⁵⁴

In November, 1894, a convention of fruit growers at Sacramento "resulted in the establishment of an organization known as the Fruit Growers and Shippers' Association," whose objects were "(1) the establishment of a Bureau of Information to regulate distribution; (2) to establish one auction-room in each city; (3) to make such auction-rooms open and free to all buyers; (4) to do all such other things as may be conducive to the best interests of the fresh-fruit industry of California."⁵⁵ In spite of the existence of this organization, the prices received for fresh deciduous fruits in 1895 were a great disappointment to the growers; and one of the chief causes of low prices was said to have been the "constant glutting of the Eastern markets by the indiscriminate shipments of fruit consigned to parties unqualified to handle the product intelligently."⁵⁶ That difficulty was experienced in reconciling the interests of growers and shippers is evident from the fact that in April, 1896, a committee "consisting of seven growers and shippers, representing the various elements engaged in the fresh-fruit trade,"⁵⁷ was appointed to bring about harmony among the conflicting interests. Although it was reported that the Association was "entirely successful in bringing about a harmony of spirit and a unity of action among shippers and growers,"⁵⁸ the growers did not prosper under the arrangement, and conditions in the deciduous fruit industry be-

⁵⁰ *Bien. Rep. Cal. St. Bd. of Hort.*, 1885-6, pp. 306-323, and *An. Rep. Cal. St. Bd. of Hort.*, 1890, pp. 83-89.

⁵¹ *An. Rep. St. Bd. of Hort.*, 1889, p. 446; and 1890, p. 88.

⁵² *An. Rep. St. Bd. of Hort.*, 1892, p. 329.

⁵³ *Rural Californian*, Apr., 1894, p. 192.

⁵⁴ *A Brief History of the Deciduous Fruit Industry of California*, p. 8.

⁵⁵ *Bien. Rep. Cal. St. Bd. of Hort.*, 1895-96, p. 67.

⁵⁶ *Bien. Rep. Cal. St. Bd. of Hort.*, 1895-96, p. 67.

⁵⁷ *Bien. Rep. Cal. St. Bd. of Hort.*, 1895-96, p. 69.

⁵⁸ *Bien. Rep. Cal. St. Bd. of Hort.*, 1895-96, p. 71.

came so bad that the growers finally formed an organization of their own, in 1901—the California Fresh Fruit Exchange. This co-operative organization of deciduous fruit growers arranged for the handling of their products in eastern markets by the agents maintained in those markets by the Southern California Fruit Exchange,⁵⁹ the co-operative organization of citrus fruit growers. This arrangement was renewed for the season of 1902;⁶⁰ but during the seasons of 1903 and 1904, when the Southern California Fruit Exchange was merged into the California Fruit Agency, the California Fresh Fruit Exchange operated through the California Fruit Distributors, an organization of commercial shipping firms, which had succeeded the California Fruit Growers and Shippers' Association in 1902.⁶¹ However, *this alliance of growers with dealers proved incompatible*,⁶² and in February, 1905, arrangements were again made by the California [Fresh] Fruit Exchange for the handling of their products by the agents of the Southern California Fruit Exchange.⁶³ The co-operative organization of deciduous fruit growers has continued to have the products of its members handled by the agents of the co-operative organization of citrus fruit growers ever since that time;⁶⁴ and the arrangement is mutually satisfactory, because the ideals of the two organizations are similar.

In the raisin industry, attempts to combine the interests of growers and commercial packers or dealers have likewise been unsatisfactory. From 1889 to 1891 several co-operative packing associations of raisin growers had been formed in the Fresno district. In 1892, these co-operative packing associations and a number of "commission packers" entered into certain agreements with the growers who had organized the California State

⁵⁹ Minutes of Board of Directors, Southern California Fruit Exchange, Apr. 24, 1901.

⁶⁰ Minutes of Board of Directors, Southern California Fruit Exchange, May 28 and June 4, 1902.

⁶¹ Powell, Fred Wilbur, "Co-operative Marketing of California Fresh Fruit." *Quarterly Journal of Economics*, 1910, Vol. XXIV, pp. 392-418.

⁶² Personal interview with Geo. H. Cutter, Pres. California Fruit Exchange, July 20, 1916.

⁶³ Minutes of Board of Directors, Southern California Fruit Exchange, Jan. 11, Feb. 8 and 15, 1905.

⁶⁴ Personal interview with Geo. H. Cutter.

Raisin Growers Association, in reference to the handling of the crop. This association claimed to include growers representing 95 per cent of the crop. During the season, price-cutting became severe, and many carloads of raisins were sold at a price that netted the growers less than $11\frac{1}{4}$ cents per pound. The commission packers and co-operative packers in the Association each accused the other of starting the price-cutting, and both blamed the outside packers. In April, 1893, a meeting of the Association was called quietly, and an executive committee favorable to the commission packers was chosen. The growers became indignant and proposed a co-operative organization of growers exclusively, of which the existing co-operative associations would form the nucleus. In June, 1893, an attempt was made to get the rival factions together — the executive committee of the California State Raisin Growers Association (which was dominated by the commission packers), and those who favored the co-operative plan; "but harmony was impossible."

On June 20, 1894, the California Raisin Growers and Packers Company was incorporated, with a board of directors consisting of five growers and five packers. Eighty per cent of the raisin acreage was contracted to this association. Competition from outside packers again led to price-cutting, in which the co-operative packers and commercial packers each again accused the other of making the start. The result was disaster to the growers, and many vineyards were grubbed out in 1894 and 1895.

Efforts to organize the raisin growers were renewed early in 1898. Various plans were suggested, committees appointed, and an organization finally effected, under the name of the California Raisin Growers' Association, with M. Theo. Kearney as president.

In the original plan submitted by M. Theo. Kearney for the formation of the California Raisin Growers' Association, "the existing plants of the co-operative associations" were to be "taken over by the proposed association, and as rapidly as possible packing facilities" were to "be extended;" commercial packers were not to be admitted to membership. This organization was effected in time to handle the 1898 crop, though 75 per cent of the packing was contracted to the various commercial packers, in proportion to their packs of the previous season. "Nearly all

the packers . . . were dissatisfied with their allotments," and difficulty was experienced in enforcing the terms of the contract. At the State Fruit Growers Convention, in December, 1898, Mr. Kearney said: "Our experience this season has convinced me that we cannot blend the interests of the commercial packer with the interests of the grower, any more than we can blend oil and water, and that any attempt on our part to do so will be a waste of time and will be engaging in a very hazardous undertaking."⁶⁵ At a meeting of the Association, December 5, 1898, he proposed a plan whereby the Association might be made independent of the commercial packers. It was that the growers be assessed \$5 per acre to build packing-houses which would be operated on the co-operative plan. This move was opposed by the commercial packers, and the growers lacked sufficient independence to adopt it.

An attempt was made to control the packers by very stringent contracts in 1899, but they proved to be not subject to control. Therefore in the spring of 1900, the directors of the growers' association incorporated the California Raisin and Fruit Packing Company, and sought to secure three-year contracts with the growers preparatory to entering the packing business. But many growers did not think it wise to attempt to eliminate the packers, and the packers were not disposed to be eliminated; they were preparing to fight the growers, when the bankers undertook to reconcile the opposing factors. The packers demanded that the growers give up the packing-house idea, and give them a three-year contract similar to that already in force. After several meetings of the bankers, packers, and directors, the packers agreed to effect a combine among themselves so that the growers' association would deal with them as one body, and the three-year contracts with the packers were signed, with some modifications favorable to the packers. This failure of the growers to declare their independence was thus commented upon by J. W. Jeffrey:⁶⁶

"The California Raisin Growers' Association has been having a fight for its life for the past two or three months. . . The

⁶⁵ *Pacific Rural Press*, Dec. 10, 1898, p. 380.

⁶⁶ Jeffrey, J. W., "Co-operation vs. Combination." *California Cultivator*, May 25, 1900, p. 323.

campaign of the last few months has been along the lines of a steady natural growth of the co-operative idea. That is too slow a process for the Fresno growers, although the experience of the orange growers and the failure of the raisin growers themselves will finally convince the raisin men that success can come only through independent co-operation among themselves. In the fight now about concluded in acknowledged defeat the raisin association has attempted to seal a three-cornered partnership between themselves, the raisin packers and the bankers of Fresno and San Francisco, and it has been an attempt to divide the spoils . . . between the three parties — the growers to get a living out of the raisin business if possible; the packers to secure \$12 to \$15 per ton . . . without risking a penny in the markets, and the bankers to get an easement on the raisin-land securities on which they had advanced money when the packers were handling the raisins on a commission that left less than 1½ cents a pound to the growers. It seems very strange to the originators and friends of the clean-cut, independent Exchanges of Southern California that a tripartite agreement in the name of co-operation should be attempted, between the raisin growers, the packer-speculators, and the money-lenders.”

Following this compromise, there was a series of conflicts between the interests of growers and packers, including the revocation of contracts by the growers' association, and their subsequent renewal on terms still more favorable to the packers. This latter action was taken by the directorate, after the elimination of Mr. Kearney, and without consultation with the growers. This caused much dissatisfaction, and in the spring of 1904, Mr. Kearney again proposed the elimination of the commercial packers and the establishment of co-operative plants, all represented on a central board; but this was never done. General distrust and dissatisfaction among the growers prevailed; the packers continued to dominate the situation; the growers failed to renew their contracts with their association, and on August 8, 1904, the president of the California Raisin Growers' Association announced the suspension of business.⁶⁷

⁶⁷ This brief account of some of the early organizations in the raisin industry is based largely upon data contained in a thesis by F. Y. Fox, *Co-*

During the existence of the California Raisin Growers' Association there was almost continual conflict between the interests of the growers and the commercial packers; and the disparity of those interests contributed largely to the ultimate downfall of the Association. If the plan repeatedly proposed by Mr. Kearney — that of the Association doing its own packing — had been adopted and put into operation early in the life of the organization, thus severing all relations with the commercial packers, it is probable that the raisin growers of California might have been spared the harrowing experiences which characterized the period from the downfall of the California Raisin Growers' Association in 1904 to the inception of the California Associated Raisin Company in the spring of 1913.

Even when a marketing organization is started strictly as a producers' organization without any intention of forming an alliance or combination with dealers in the same product, there is always danger that the outside interests will be able to manipulate matters in such a way as to secure control of the "growers' organization" and dominate its policies, unless definite provisions are made by the organization to insure against such an eventuality. A good illustration of what may happen to an organization which fails to take such precautions is furnished by the experience of the Brawley Cantaloupe Growers' Association which was organized in 1905 — the second year that cantaloupes were grown in the Imperial Valley. This was an incorporated company, with capital stock, and was composed principally of growers, nearly all of whom were Americans. But the American growers gradually went out of the cantaloupe business and Japanese came in. The retiring growers sold their stock in the association. An eastern firm of cantaloupe distributors quietly bought up the stock as it was offered, and soon controlled a majority of the shares. After that, the policies of the Association were determined by these dealers rather than by the growers.⁶⁸

operation in the Raisin Industry of California, University of California, 1912; and quotations not otherwise specified are from this work.

⁶⁸ Personal interview with Peter P. Hovley, June 21, 1916. Mr. Hovley was president and manager of the Brawley Cantaloupe Growers' Association during its entire shipping activity (1905-1911).

Recognizing the necessity of making definite provision for insuring that control over the affairs of the organization shall not pass into the hands of outside interests, various means to this end have been adopted by different organizations. The California Associated Raisin Company and the California Peach Growers have each placed the control of their policies in the hands of a board of twenty-five voting trustees⁶⁹ elected for a period of seven years, and the Turlock Merchants and Growers, Incorporated, has vested similar power in twenty trustees elected for five years. No matter what transfers of stock may take place in the meantime, all voting of stock during that period is vested in the trustees elected by the persons who owned the stock at the time the original organization was effected. No provision, however, is made for insuring that a majority of the stock shall be in friendly hands at the expiration of the five or seven-year period, since there are no restrictions whatever on the purchase or transfer of stock. The organization of olive growers known as the California Associated Olive Growers has attempted to obviate this difficulty by providing for the issue of two kinds of stock (common and preferred), restricting the sale of common stock to growers, and providing that "the total amount of preferred stock actually issued or contracted for at any time shall never exceed the amount of two-thirds of the total common stock then actually issued."⁷⁰

Other organizations have accomplished the same result by permitting transfers of stock only upon approval of the board of directors. However, the most effective means of insuring that the control of an organization shall remain with the growers is the absolute restriction of membership in the organization or ownership of stock to actual growers of the product to be marketed. This method has been adopted by the California Fruit Exchange and practically all its local associations, most of the local associations composing the California Fruit Growers Exchange, and all the local associations comprising the California Almond Growers Exchange and the California Walnut Growers Association.

On the whole it appears to be very much more desirable that

⁶⁹ Documents secured from officers of the organizations.

⁷⁰ *California Fruit News*, June 17, 1916, p. 4.

membership or ownership of stock in a growers' co-operative marketing organization be limited to actual growers of the commodity to be marketed, rather than that membership be transferable without restriction, or that stock be transferable except to other actual growers and upon explicit approval of the directors of the organization. It further appears that combinations or alliances of growers' organizations with organizations of commercial packers or dealers are extremely likely to be detrimental to the best interests of the growers.

CHAPTER IV

FINANCING THE ORGANIZATION, DISTRIBUTION OF BENEFITS, AND BASIS OF VOTING

FINANCING THE ORGANIZATION

Definite provision must be made for financing the business of the organization.

The amount of money that must be raised for equipping a co-operative marketing organization and maintaining its operations depends not only upon the volume of the product to be handled, but to an even greater extent upon the nature of the product, and the methods of handling and marketing to be employed. In the citrus industry, where each local association requires a packing-house with elaborate equipment, the initial expenditure of an association before it can begin to handle a crop is necessarily much greater than in the case of a bean growers' association located where the product can be stored in public warehouses, or even an almond growers' association, which can, if necessary, carry on its operations without a warehouse. And after the equipment has been installed, the amount of money needed to finance each season's operations will depend upon the amount of labor performed by the organization in preparing the product for market, the time and method of payment made to the growers, whether or not the output is handled through brokers or through salaried representatives of the organization in the markets, and whether or not the organization has created a reserve fund from the operations of previous years. In any case, before an organization is formed, the only logical method to pursue is to make as accurate an estimate as possible of the probable financial needs of the proposed organization, and to include in the plan of the organization itself a definite plan for securing the necessary funds.

Various means of securing the funds have been employed. In the citrus industry, where packing-houses and equipment are necessary to handle the product properly, a common method is for the local association to organize as a joint-stock company, in which each member is required to purchase a certain amount of stock for each acre of his orchard. This stock, which may amount to twenty-five or more dollars per acre, may be paid in full before the packing-house is erected, but the more usual plan is for the grower to pay for the stock gradually, a common method being for the association to retain from the proceeds of fruit packed and sold for the subscriber a small sum per box (usually not to exceed five cents) until the stock is entirely paid for. This may result in the distribution of the payment for stock over three or four seasons; and the stock is paid for out of the proceeds from the sale of the fruit.

Although this arrangement results in eventually paying for the packing-house from the sale of stock to the growers, the money for its erection must be procured in some other way. Sometimes it may be borrowed from an individual member of the organization; but the more usual method is to borrow it from the local bank; and the attitude of the bank in a given locality regarding the financing of a proposed marketing organization must usually be ascertained before the plans for the organization have proceeded very far.

When an organization is formed without capital stock, it must depend for funds upon advances made by the members, or upon retaining a small sum for each box of fruit handled, and applying the same to a building fund. Unless the members advance the funds the money for erecting the building must be procured from outside sources. The banks have been more favorably disposed toward loaning money for the erection of a packing-house to a growers' association organized with capital stock than one organized without capital stock, even though loans to the latter be secured by notes bearing the signatures of the entire membership of the organization. This attitude of the banks has resulted in the formation of many associations of citrus fruit growers on the joint-stock plan where the non-capital-stock plan would doubtless otherwise have been employed.¹

¹ Personal interview with B. B. Pratt, Manager Field Department, California Fruit Growers Exchange, May 22, 1916.

No matter which of the methods above mentioned is employed, the growers' association eventually owns the building, and each member will have contributed to its erection and equipment in proportion to the acreage of his orchard or the amount of fruit he has marketed through the organization; and such an arrangement is as equitable a one as could be made, for each member has contributed to that part of the support of the organization in proportion to the service it has rendered him.

Similar means have been employed in financing the erection of packing-houses in other industries. In the Sebastopol Apple Growers' Union, each member subscribed for one share (\$10) of stock for each 200 boxes of his estimated crop, and five cents per box was retained from the sale of the fruit by the Union in payment for this stock. In the Sebastopol berry growers' organization, each member subscribed for stock in proportion to his acreage, and the money for building the packing-house was advanced by one of the members at 6 per cent interest.² About half the local associations of almond growers which constitute the California Almond Growers Exchange own and operate warehouses. These were built or purchased with money advanced by growers or borrowed from other sources, and then repaid by levying a certain charge per pound on all almonds handled through the house until the required amount had been collected. In this case, also, the contributions of the various members toward the cost of the house were in proportion to the volume of product the association handled for each.

The ownership of a packing-house or warehouse by a local association of growers, which has been paid for by contributions from each member in proportion to his product, not only affords the association adequate facilities for handling the product of its members, but may contribute fully as much to the welfare of the association by reason of its serving as a potent force in binding together as a unit the members of the organization.

In addition to money for packing-house construction and equipment, each marketing organization usually needs a considerable sum to defray operating expenses, especially during the early part of each season, before returns from the sale of prod-

² Personal interview with I. N. Cable, Manager, Sebastopol Berry Growers, Incorporated, July 21, 1916.

ucts become available. If no reserve fund has been created from previous seasons' operations, or if the organization is a new one, this money must usually be borrowed for a longer or shorter period. In the past it often occurred that a new organization met with extreme difficulty in arranging for short-time loans at the commercial banks. This was especially true in the case of a central marketing organization operating on the non-capital-stock plan, and composed of local associations operating on a similar plan. For example, the California Fruit Exchange had such difficulty in securing loans from the banks when the organization was operating without capital stock, that they were forced to reorganize in 1907 as a joint-stock company, and have since been able to procure short-time loans without difficulty whenever needed. The California Almond Growers Exchange, in the first year of its operations (1910), finding itself unable to negotiate loans as an organization, was obliged to secure the \$30,000 needed to finance its operations, by notes signed by individual growers. However, since the organization has demonstrated its ability to meet financial obligations, the banks are anxious to accept the privilege of making any advances that may be required for handling the business. The California Walnut Growers Association also, though operating without capital stock, is now so favorably considered by the banks that it is able to borrow any amount of money it may need for carrying on its business. In fact, the banks seem to be becoming much less prejudiced against granting short-time loans to organizations operating without capital stock than was formerly the case. The Southern California Fruit Exchange and its successor, the California Fruit Growers Exchange, have always been able to borrow whatever money they needed each season, although their capital stock was merely nominal, consisting of only as many shares (at one dollar each) as there were directors. It would seem that the form of organization, rather than the amount of capital stock, has in the past influenced banks in their attitude toward granting accommodation to growers' co-operative marketing organizations. However, since the permanent nature of these organizations in certain industries has become demonstrated, there is less discrimination against non-capital-stock organizations in reference to short-time loans than was formerly the case.

Organizations representing certain large industries have deemed it advisable to have a larger amount of capital stock than could conveniently be subscribed for by the growers on an acreage basis, in order to create a large working capital and thus render themselves less dependent upon loans secured from banks for carrying on their business. Stock subscriptions for \$800,000 were secured by the California Associated Raisin Company before business was started, and for \$600,000 by the California Peach Growers; and larger amounts were later secured by both. The California Prune and Apricot Growers, Inc., in process of organization, does not plan to undertake business unless subscriptions to stock amounting to \$750,000 are secured.³ In these organizations, subscriptions from growers have been solicited to the extent of their willingness and ability to subscribe; but "all business houses, bankers and professional men, as well"⁴ have been urged to participate in the subscription to capital stock. "The grower," "the public," and "the investor" alike have been appealed to on various grounds, in the efforts to secure the desired amounts. Although in each case a voting trust has been created to prevent hostile interests from securing control over the policies of the organization during the life of said trust, the admission of persons other than growers to participation in the stock subscriptions introduces a factor into the organization which may eventually cause serious disturbance because of the disparity between the interests of persons who subscribe for stock as an investment with the expectation of receiving dividends and those who subscribe for the purpose of securing marketing facilities for their products. The admission of outside interests into a growers' organization on the same basis as the growers themselves, even for the sake of securing needed financial assistance, is soliciting the co-operation of those whose interests render it impracticable for them truly to co-operate, unless it be assumed that all participants other than growers in the subscriptions for stock are actuated by philanthropic motives or expect to be indirectly recompensed for their contributions by reason of the increased prosperity of the community due to the

³ *Subscription and Voting Trust Agreement.*

⁴ In document circulated during campaign for subscriptions to the stock of the California Associated Raisin Company.

existence of the better marketing facilities provided by the organization. When with the receipt for money furnished by persons other than growers, a growers' organization must grant the privilege of participation in the determination of its policies, or create an artificial barrier within its own organization to prevent such participation, and thereby prevent also the exercise of initiative on the part of the entire membership except at intervals of five or seven years, the organization is in danger of no longer remaining a co-operative growers' organization, but becoming in reality an amalgamation in which the welfare of the growers' interests is dependent upon the dictation of the small body of men whom all subscribers (growers and others alike) have elected for a period of years by a vote based upon the amount of their stock subscriptions.

Although it has been officially stated that 90 per cent of the stockholders in the California Associated Raisin Company "are growers, at least 9 per cent are business men whose interest in the growers far outweighs any interest they may have in profit from the stock, and not more than 1 per cent, if any at all, are men who would be willing to prostitute this organization for an advantages to themselves as stockholders;"⁵ and that "Between 90 and 95 per cent of the stock is owned by growers and the balance is owned by business men living in Fresno and the surrounding towns who could afford to lose many times over the value of their stock rather than to see the raisin industry revert to the condition of years gone by;"⁶ nevertheless, the leaders in this organization clearly recognize the existence of the possibility of the stock passing into hostile hands. Their attitude in this matter is indicated by the manner in which they have urged the growers to retain possession of all their stock in the Company. For example, in the same article with the first quotation given above, appeared the following message to growers: "While we are on this subject, allow us to urge every grower to keep his stock . . . keep it as an insurance on your vineyard investment. Just for the same reason that you pay out money to insure your house and your life, you should carry this stock and not allow it to be gathered up by people who might use it for

⁵ *Sun-Maid Herald*, Feb., 1916, p. 2.

⁶ *Sun-Maid Herald*, Mar., 1916, p. 3.

their own advantage.” Again, in the May (1916) issue of the *Sun-Maid Herald*,⁷ under the caption, “An Urgent Request,” appeared the following:

“Don’t sell your stock. It don’t make any difference what you can get for it, keep it. As long as this stock remains in the hands of the growers, the industry is on a good footing; when it leaves your hands and goes into the hands of a speculator, it may become dangerous.”⁸

If sufficient funds to finance a given organization cannot conveniently be secured from subscriptions of growers on the basis of acreage or volume of product, or borrowed from banks, and the issuing of shares of stock on other than an acreage or volume basis becomes necessary, the sale of such stock should be limited to growers of the product to be marketed, the stock should be transferable only to growers, and the amount of stock which may be owned by an individual or firm should be limited. This method has been adopted by the California Fruit Exchange. Stock is sold only to deciduous fruit growers who are members of the local associations which compose the Exchange or to these associations themselves; and the amount of stock which may be held by one individual, corporation, or association is limited to ten shares at \$100 per share.⁹

If, however, there is not sufficient available capital represented in the industry to render feasible this method of procuring funds for the organization, and such subscriptions as can reasonably be levied upon an acreage basis are inadequate to meet the contemplated needs of the organization, when supplemented by as much accommodation as the local banks are willing to grant, the situation is not one which demands an appeal to outside interests to enter the organization with their capital, but rather one which demands a revision of the plans regarding the scope and methods of operation of the organization, particularly in the direction of curtailing the need for large amounts of capital in advance of

⁷ The *Sun-Maid Herald* is a “house organ” published by the California Associated Raisin Co. It has been issued monthly, since Aug., 1915.

⁸ *Sun-Maid Herald*, May, 1916, p. 2.

⁹ Address of J. L. Nagle, General Manager, California Fruit Exchange, at Berkeley, Cal., Dec. 11, 1916. See also *By-Laws of the California Fruit Exchange*, Article XIV.

the sale of products. But as already suggested, a favorable attitude on the part of the local banks toward a growers' co-operative organization is a very desirable business asset, and the existence or non-existence of such attitude in a given locality should be ascertained before organization is effected.

DISTRIBUTION OF BENEFITS

The benefits accruing from membership in the organization should be distributed among the members in proportion to the value of the products handled for each.

In an ordinary joint-stock corporation, the surplus profits are distributed to the members (stockholders) as dividends in proportion to the amount of stock held by each. In a growers' co-operative marketing association organized as a joint-stock company, in which the stock has been purchased by the various members in proportion to their respective acreages or volumes of product, a distribution of surplus profits would, under normal conditions, be fairly equitable whether it took the form of a dividend based on the shares of capital stock or a division of profits based on the volume or value of the products handled for each member. However, there is some preference in favor of making the distribution on the basis of the value of the products handled, since such a division places the emphasis upon the contribution of products from year to year to support the business of the organization, rather than upon the contribution of money at some previous time, and also encourages the production not only of large yields per acre, but also of high grade products, since value rather than volume is emphasized.

In a fruit growers' organization in which the capital stock is held in amounts disproportionate to the acreage or products of the growers, the most equitable arrangement in the distribution of profits is to limit the dividend paid on the capital stock to a reasonable rate of interest on the paid-up capital, to set aside a limited amount as a reserve fund, and to divide the remainder among the growers in proportion to the value of the products they have marketed through the organization during the season. This method is employed by the California Fruit Exchange, except that the ten per cent dividend annually declared on the capital stock is a little high. The Turlock Merchants and Grow-

ers, Incorporated, limits the dividend on paid-up capital stock to five per cent per annum.

In the case of organizations without capital stock, there can, of course, be no dividends; and since these organizations are operated on the non-profit plan, there can also be no profits to distribute. A common plan employed in operating such associations is as follows: The expenses are estimated as closely as possible, and a sufficient amount per package or pound to create a revenue which will surely cover all expenses is retained by the organization when making remittances to the growers. At the close of the season, when the total expenses for the year are definitely known, the actual average cost of handling each package or pound of product can be determined, and any excess which may have been charged to the growers is returned to them in proportion to the number of packages or pounds handled for each, unless the members vote to have this sum retained in the organization as a reserve fund for extending the equipment or defraying expenses at the beginning of the next season. In either case, the grower has received benefits from the organization in proportion to the value of his products, for the cost of marketing has been upon a package or pound basis, and hence the grower of the higher grade products has had his marketing done at a lower percentage cost; and here again the production of the superior grades is encouraged.

It is equitable to place the charge for marketing upon a package or pound basis rather than a percentage of the selling price; for the cost of preparing the low grade product for market is no less than that of preparing the high grade; the office expense of the organization in the handling of a given volume of products is not reduced by reason of the grades being low rather than high; and the cost of the actual selling may be greater for the low grade product in the case of goods sold by salaried agents, because of the greater difficulty and amount of time that may be required to effect sales.

Some organizations, though having capital stock (which is owned by growers in proportion to their acreage or the volume of their product), operate on a non-profit basis, but consider as a part of the operating expense six per cent interest on the paid-up capital; while others, like the Sebastopol Apple Growers'

Union, pay neither dividends nor interest on capital, but give the growers (who have previously contributed the capital) the direct benefit of the further reduction in the cost of marketing thus afforded.¹⁰

BASIS OF VOTING

In a properly-constituted growers' co-operative marketing organization, it makes little difference whether the voting power is based upon individuals (one-man, one-vote), volume of product, or shares of stock.

It has already been shown that the most desirable form of organization is one in which the shares of stock, if any, are held by the growers in proportion to their acreage or volume of product. In such organizations it is ordinarily assumed that, under normal conditions, there will be, on an average extending over a series of years, a fairly close relation between the acreage and the volume of product. Therefore, whether the shares of stock are issued in proportion to acreage or volume of product, a vote based on such shares of stock would, under normal conditions, be essentially the same as a vote based on volume of product.

As to whether the voting power should be based upon individuals or upon volume of product, there seems to be some difference of opinion, it being held by some that true co-operation demands that the vote of each individual in the organization have the same weight regardless of differences in the volume of product represented by the various members; while others hold as tenaciously that the only equitable basis of voting is one in which the vote of each member bears the same relation to the total number of votes as the volume of his product bears to the total product represented in the organization.

It is true that when an organization is composed of individuals representing widely different volumes of product, or a central organization is composed of sub-organizations differing widely in volume of product, there is likely to be a tendency on the part of those representing the larger volumes to feel that their interests may suffer because of inadequate representation unless they are granted greater voting power than that accorded those

¹⁰ Personal interview with E. C. Merritt, Manager, Sebastopol Apple Growers' Union, July 21, 1916.

representing the smaller interests. As a matter of fact, however, the influence of a member in an association, or of a representative of a local association in the central body, in bringing about the action which he considers most conducive to the welfare of the organization, can be exerted even more effectively in the discussion preceding the vote than by the act of voting. Furthermore, unless there is sufficient unanimity existing among the members of the organization usually to render the result of a vote the same whether taken on the basis of individuals or volume of product, there is serious question whether the aims and ideals of the various members are sufficiently alike to justify their belonging to the same co-operative organization.

Sometimes large and influential growers, in localities where their volume of fruit is needed to insure the success of a proposed organization, decline to support such an organization if the voting is to be by individuals, for fear of being overruled in important matters by a majority composed of the lesser growers. To overcome this difficulty, it has been found advantageous in various organizations to make provision for voting according to volume of product, upon all important matters or upon demand of any member. Such an arrangement removes the grounds for objection on the part of the large growers or associations, thus resulting in the establishment of stronger organizations than would otherwise be possible; and in actual operation, the disparity between the interests of large and small growers which may have been assumed to exist, largely disappears.

Many of the local associations of citrus fruit growers which are affiliated in the California Fruit Growers Exchange, provide for a vote on an acreage basis or on the basis of shipments the preceding season, in the annual election of directors, and in actual practice, often elect their directors by an almost unanimous vote.¹¹ Also in some of the district exchanges of the California Fruit Growers Exchange, where the associations differ considerably in the amount of fruit handled, provision is made for voting on a volume basis, but that method of voting is rarely, and in some

¹¹ Personal interview with B. B. Pratt, Manager, Field Department, May 22, 1916.

exchanges never employed,¹² because of the close agreement in opinion arrived at in all important matters before a vote is taken.

When the Southern California Fruit Exchange (the predecessor of the California Fruit Growers Exchange) was organized, the original agreement between the central body and the district exchanges provided that "Each of the corporations [district exchanges], signers to this agreement, shall be entitled to one representative on the Executive Board, who, upon any call of the roll, shall be entitled to one vote for each five hundred carloads of fruit, or major fraction thereof, under control of the corporation represented by him; provided that each representative shall be entitled to at least one vote."¹³ Two years later a change was made, providing that "In all meetings of the Board of Directors of party of the first part [Southern California Fruit Exchange], on demand of any member, a representatives' meeting shall be called and convened the same day and the question before the Board submitted to such meeting at which the vote shall be on a basis of a total vote of one hundred such votes; the representatives of each Exchange shall be entitled to one vote for each one per cent of the expenses of the party of the first part paid by such Exchange the previous season. . . ." ¹⁴ (This was a vote based on the volume of fruit handled, since the expenses were determined on a box basis.) In 1899, provision was made for an executive committee consisting of one representative from each district exchange, and it was specified that "At all meetings of said Executive Committee, upon demand of any one or more members thereof, the vote on any question under consideration shall be taken upon a percentage basis, each member of the committee to have the same percentage of the total vote as the party [exchange] appointing him pays to the assessments levied for expenses, in accordance

¹² Personal interview with P. J. Dreher, Manager, San Antonio Fruit Exchange, June 30, 1916.

¹³ Minutes of Executive Board, Southern California Fruit Exchange, Sept. 18, 1895.

¹⁴ Minutes of Board of Directors, Southern California Fruit Exchange, July 28, 1897.

with Section five of this agreement.”¹⁵ (The assessments for expenses were based on the amount of fruit shipped.) Yet votes on a representative basis as indicated in any of these provisions, were taken only upon two occasions during the entire active existence of the Southern California Fruit Exchange; and in both these cases the results were the same as they would have been if each representative had cast one vote.¹⁶

Also in the California Almond Growers Exchange, it is provided that “The right of each and every member shall be a minimum of one vote, with one additional vote . . . for each ten tons of almonds over the first ten tons marketed by the members of his local Association the previous year. . . . All voting shall be upon the minimum basis of one vote to each member unless a vote on the tonnage basis be called for by three or more voters.”¹⁷ But a tonnage vote has never been called for during the seven years the Exchange has operated.¹⁸

In general, it may be said that where harmony prevails, the basis of voting is immaterial; and where it does not prevail otherwise, there is little chance of its being introduced by resort to some particular method of voting.

¹⁵ Minutes of Board of Directors, Southern California Fruit Exchange, July 26, 1899.

¹⁶ Minutes of Board of Directors, Southern California Fruit Exchange, May 24, 1899, and Feb. 14, 1900.

¹⁷ *By-Laws of the California Almond Growers Exchange*, Article V, sections 2 and 3.

¹⁸ Taylor, R. H., “Marketing California Almonds.” *The University of California Journal of Agriculture*, Oct., 1916, pp. 44-45.

CHAPTER V

SOME ESSENTIAL DETAILS

AFFILIATION OF LOCAL ORGANIZATIONS

For the purpose of marketing the product of a large horticultural industry, an affiliation of local organizations is preferable to a single large organization made up directly of individual growers. In such an affiliation, the identity of each local should be preserved and its interests fully represented in the central organization.

The necessity of similarity of interests and the desirability of mutual acquaintance among the persons composing a co-operative marketing organizations have already been mentioned.¹ The growers of a given commodity, located within a restricted area, have more interests in common and very much greater opportunity for mutual acquaintance than have individuals residing in different districts. However, additional economies in marketing can be secured and a more comprehensive distribution of the product attained if some general marketing plan is entered into by the growers of the same product in different localities. Such an arrangement can be effected, and at the same time all the advantages of the local organization retained, if the central organization is composed of, and its policies determined by, representatives from the various locals; provided such representatives meet at sufficiently frequent intervals in the discharge of their duties to become fully acquainted with one another. This plan retains the personal element throughout the organization; it gives each local a vital and personal connection with the affairs of the organization as a whole; and serves to keep each member of a local in much closer touch with the work and policies of the organization than would be possible if the larger organiza-

¹ See pp. 51-52.

tion were made up directly of individual growers distributed over a wide territory. In the latter case meetings of the membership would be infrequent, acquaintanceship never fully established, and the determination of the policies of the organization left largely to a few individuals without reference to the specific needs or wishes of the membership in particular localities. When each representative in the central body is elected by a local organization from among its own membership, the interests of the growers composing a given local receive a much more personal representation than when the governing body of the central organization is elected by a general vote of all the growers. Each representative is then in close touch with the needs and desires of the growers he represents and the policies determined will more nearly reflect the thought of the membership as a whole than if they were determined by a group of persons elected by the entire membership voting en masse. And the feeling on the part of the individual members that they have personal representation in the affairs of the organization is vital to the permanent success of a co-operative enterprise; for in a truly co-operative enterprise, it is a case of the members controlling the organization rather than the organization controlling the members.

Different methods have been employed by the growers in different industries to secure representation of all the local associations in the central organization without making the governing body so large as to be cumbersome. In the California Fruit Exchange (which suffers the disadvantage of being a joint-stock company in which part of the stock is held by each of the twenty-eight local associations and part by individual growers, and in which the eleven directors are elected by the stockholders voting on the basis of shares of stock), provision is made that "Each Growers' Organization [i. e. local association] . . . not represented on the Board of Directors . . . shall be entitled to select from its membership some one to sit with this Board at all its sessions, to be known as an Associate Director, and enjoy all the privileges of a regular Director except in voting. He shall be certified to this Board by the organization which selects him."²

² *By-Laws of the California Fruit Exchange, Article V a.*

In the California Almond Growers Exchange each of the twenty local associations elects a representative "who shall pay a membership fee of one dollar, to this corporation and be a member of this corporation and represent his local Association in this corporation until the election by such local Association of some other person as a member of this corporation in his place and stead. Upon the election by a local Association of a successor to its member in this Association such successor becomes a member in this corporation in the place and stead of the person he is elected to succeed, whose membership thereupon expires."³ "No member of this corporation may be removed 'except by the local Association which elected him.'"⁴ "Each and every member of this corporation may be present at all Directors' meetings and participate in the deliberations thereof the same as a Director, and enjoy all the privileges of a Director except such as are reserved to Directors by the Statutes of the State of California."⁵ These representatives in annual meeting elect from among their number five directors, who formally conduct the affairs of the organization; but the facts that the representatives may participate in the deliberations at all directors' meetings; that special meetings of the representatives, as such, must be called by the president "on the written request of three (3) or more members;" that the most important business of the organization is always transacted at meetings of representatives rather than directors, and that each local association requires its representative to report regularly to its own board of directors regarding his acts as such representative, indicate that the determination of the policies of the organization rests largely in the hands of the local associations acting through their representatives rather than in the hands of the small board of directors.

The California Fruit Growers Exchange is composed of 162 local associations⁶ which are grouped into seventeen district

³ *By-Laws of the California Almond Growers Exchange*, Article V, Section 1.

⁴ *By-Laws of the California Almond Growers Exchange*, Article XV, Section 2.

⁵ *By-Laws of the California Almond Growers Exchange*, Article V, Section 4.

⁶ *Annual Report of General Manager, California Fruit Growers Exchange*, Aug. 31, 1916, p. 3.

exchanges. Each local association elects one of its members as a director in the district exchange with which it is affiliated, and each of the seventeen district exchanges elects one member of the board of directors of the central exchange. The board of directors of the central exchange meets regularly every week, and in case any member finds it impossible to be present, he advises his district exchange in advance and writes out his resignation. This resignation, together with a recommendation certifying another member, is forwarded by the secretary of the given district exchange to be presented at the meeting of the board of directors of the central exchange. At the opening of the meeting, the resignation is accepted by the board and the new member elected to fill the vacancy. He in turn resigns as soon as the regular member is able again to occupy his place, even though the substitution may be for only one meeting. Thus, full representation of the district exchanges is maintained on the board. The local associations composing each district exchange are for the most part located within a rather restricted area, and each local association keeps in close touch with its district exchange, and makes known its desires through its member on the board of directors of that exchange. Thus there exists a complete chain of personal representation from the individual grower to the central exchange; and the interests of the 8,000 members are adequately protected.

Contrasted with this method of organization for determining the policies to be employed in marketing the product of a large horticultural industry, is that practiced in the raisin industry. Although local associations of raisin growers, formed for the purpose of packing their product, were organized as early as 1889, and although from time to time suggestions were made that a general organization based upon such local associations as units and in which each local should be represented would solve the problem of organization for marketing the raisin crop, both the organization which existed from 1898 to 1904 and the present organization were formed on an entirely different plan. In the old organization, each of the 5,000 growers had one vote in mass meeting⁷ for the election of the five directors who conducted

⁷ Personal interview with Wylie M. Giffen, July 18, 1916.

the business of the organization; and except at the annual meeting or occasional special meetings the growers had no voice in the affairs of the Association. In the present organization, the California Associated Raisin Company, the stockholders, including growers and others, voting on the basis of shares of stock held, elected twenty-five trustees — five each from five districts, though the voting for trustees from each district was not restricted to stockholders residing in that district. The trustees were elected for a period of seven years, and they annually elect a board of seven directors from among their number. The trustees meet in an advisory capacity once in three months, and the directors meet once a week;⁸ but the stockholders, including the growers, have no further official voice in the affairs of the organization till the close of the seven year period. There are no local associations, the members of which can talk matters over and, through their official representatives, make their influence felt in the central body.

The California Peach Growers is an organization formed on essentially the same plan as the California Associated Raisin Company. Those who took the lead in the organization were located in the Fresno district (the stronghold of the raisin industry), were familiar with the workings of the Raisin Company, and felt that the methods employed in the conduct of that organization were applicable to the dried peach industry also. Although this organization, as soon as it was ready for business, secured control of a packing-house in each of the principal peach-producing regions,⁹ no local associations were formed contiguous to those packing-houses. Each of the 6,000 peach growers is presumed to vote for trustees once in seven years, and leave the management of "his" marketing organization to those trustees and the directors they may elect from among their number.

The California Prune and Apricot Growers, Inc., is organizing on the same general plan, though the state is divided into seven districts for the election of trustees, two of whom are to be

⁸ Personal interview with Wylie M. Giffen, President, California Associated Raisin Co., July 18, 1916.

⁹ Personal interview with J. F. Niswander, Manager, California Peach Growers, July 18, 1916.

elected from each of six districts and twelve from the district comprising the Santa Clara Valley and adjacent territory. In addition to the twenty-four trustees elected by the stockholders, one is to be appointed by the state market director. All are to hold office for seven years, and do all the voting of shares of stock that is done in the meantime.¹⁰

It is unfortunate that organizations of fruit industries recently effected and now in process of formation should have adopted this plan of having one large organization made up directly of individual growers who have no voice whatever in the affairs of the organization except at long intervals. Influenced by the apparent success of the California Associated Raisin Company, the peach growers and prune and apricot growers have patterned their respective organizations largely after the plan adopted for the raisin industry. This plan of organization is lacking in the personal touch which is essential to the permanent success of a co-operative enterprise; and it is a serious question how long organizations formed on this basis will be able to persist.

BUSINESS ABILITY NEEDED

Each organization must possess — represented either in its membership or its employees — a degree of administrative ability and business acumen commensurate with the volume of the business to be transacted and the intricacy of the problems to be solved.

In a co-operative marketing organization, although the various members are engaged in producing the same commodity, there may be considerable difference, not only in their skill as producers, but also in their general breadth of view, and capacity for large undertakings. When a co-operative marketing enterprise develops in a normal manner, as a result of initiative on the part of the growers of a given product in a community, it is natural that during the progress of organization certain individuals should grasp the significance of the movement more readily than others, and show a capacity for overcoming the obstacles that may arise. That is, the natural leaders in the

¹⁰ *Subscription and Voting Trust Agreement*, being circulated during organization campaign.

community will manifest themselves, if they have not previously done so. While it is true that organizing ability does not necessarily imply the existence of ability to sustain an organization once formed, nevertheless it is approximately true that within a given community those who are responsible for effecting an organization are likely to be the ones who will have to take the lead in determining its policies, planning its operations, and defending it against any outside attacks. One of the important advantages of an organization originating with the growers themselves in a given community, rather than as the result of efforts of a professional organizer from outside, is that those who have thought enough of the organization to spend time and energy in its formation are still there to foster its development. Unless the community possesses men of sufficient foresight and ability to effect the organization, determine its policies, and sustain its activities, without interference from outside sources, except suggestions from similar organizations or the central body with which the local association expects to affiliate, it is doubtful whether that particular locality is yet ready for a co-operative marketing enterprise.

However, while the policies of the organization will be determined largely by the leaders among the members, and its permanence will depend much upon their intelligent support; such members, being growers, can usually give only a fraction of their time directly to the affairs of the organization, and the detailed management of the business and execution of the policies agreed upon must usually be entrusted to a manager who is hired to devote his whole time (at least during the shipping season) to the interests of the organization. Much depends upon the selection of a manager with sufficient business ability and experience to handle efficiently the matters entrusted to his care. The larger the aggregate amount of business of a given kind, the more capable the manager needed. In a new organization made up principally of growers with small acreages, but whose aggregate output is large, there is likely to be a general lack of appreciation of the type of service demanded of a manager, and a tendency to favor sacrificing efficiency for the sake of so-called economy. Fortunate indeed is the organization whose leaders have sufficient discernment and power of persuasion to effect the

employment of a manager whose capacity coincides with the requirements of the given position. The experience of the Turlock Merchants and Growers, Incorporated, illustrates this point. During their first season's operations, the business was handled by an executive board of three members, who really donated their services for the good of the cause. The next year, with a much larger business to handle, it was decided to hire a manager to devote his entire time to the work. Then came the question of salary of a manager. Some members thought that \$1,000 a year would be ample; others thought \$100 a month a more appropriate figure,¹¹ but the salary was finally fixed at \$4,000 a year, and a man secured whose business experience and ability have contributed much to the remarkable progress of this organization.

Broad experience and demonstrated ability on the part of those employed to fill important positions have been recognized by the directors of the various large co-operative organizations as essential to the success of these institutions. Knowledge of men and of marketing methods and trade conditions in general have been considered more important than specific training in the handling of a particular commodity, for fitting a man to manage the business of a central co-operative selling organization. The present manager of the California Almond Growers Exchange was formerly sales manager of the California Fruit Exchange, and previous to that was connected with the Chicago office of the California Fruit Growers Exchange; the present manager of the California Fruit Exchange was also formerly in one of the eastern sales offices of the California Fruit Growers Exchange; and the sales manager of the Turlock Merchants and Growers, Incorporated, had had many years of experience in the fruit trade, especially in the handling of citrus fruits, before he undertook to direct the sales of Turlock cantaloupes.

Experience as sales managers in the eastern fruit markets is exceptionally good training preparatory to the assumption of duties in responsible positions in the California offices of the various co-operative organizations. The orange and lemon sales managers in the Los Angeles office of the California Fruit Growers Exchange each spent several years in the eastern offices, in

¹¹ Personal interview with W. H. Lockwood, a director of the Turlock Merchants and Growers, Incorporated, July 19, 1916.

direct contact with the fruit trade, before receiving their present appointments. The eastern district sales managers of this Exchange are at the present time training a corps of assistants who are becoming thoroughly familiar with trade conditions in the leading markets, and who are being advanced to positions as sales managers in smaller markets as their ability becomes demonstrated and as occasions arise. Thus the California Fruit Growers Exchange is building up in its sales department a group of trained men who are in sympathy with co-operative methods of marketing, and as time goes on will be available for more responsible positions either in that organization or in other co-operative enterprises. The existence of this "training school" will aid materially in solving the problem of securing men who are competent to serve as managers in co-operative organizations, and has an important bearing upon the extension of the co-operative method of marketing.

METHODS OF SELLING

The details of handling, selling, and distributing the crop must be adapted to the nature and volume of the product.

While association packing is desirable for the sake of securing uniformity in the product, it is not applicable to the most perishable commodities, because of the very nature of the product or because of the delay that would be involved in getting the product from the field to the refrigerator car. The blackberries and loganberries of Sebastopol intended for distance shipment must necessarily be placed in the shipping boxes by the growers, since their perishable nature precludes pouring or handling at the warehouse of the shipping association. In the case of cantaloupes, association packing is impracticable in the handling of a large output, because of the delay it would entail in getting the melons from the field to the car. Melons ripen very rapidly in hot weather, and their shipping quality is seriously impaired by a few hours' exposure to high temperature after they are picked. Their normal ripening season occurs when temperatures are likely to be high. For example, at the height of the shipping season in the Imperial Valley in 1916, the official temperature (in the shade) reached as high as 116° F. If an association undertook to do the packing for a number of growers, there

would be times at the height of the season (which usually occurs during a period of very hot weather) when the melons would come in in such quantities that the packing-shed would become so congested that some of the melons would not be packed for a number of hours after they were picked. No elaborate equipment is required for packing cantaloupes, and the product can be placed in the refrigerator cars in a shorter time after picking if each grower takes care of his own packing, in a temporary shed at the edge of his field, where the packing can start almost as soon as the picking, and where the melons of one grower are not delayed by reason of the presence of those of another.

With the less perishable goods, the association can do the packing, and thus not only be more certain of securing uniformity in the packed product; but in the case of products the handling of which requires expensive equipment, the association can do the packing at considerably less expense than could an individual grower. This is especially true of such products as oranges and lemons.

The method of shipping will depend primarily upon the perishability of the product. For example, the Sebastopol berries shipped outside the state, are pre-cooled as soon as possible after they are delivered by the growers; and are then loaded into pre-iced refrigerator *express* cars, which go out on passenger trains. By these means, these extremely perishable products are shipped as far east as Chicago. California cantaloupes for eastern shipment are almost invariably loaded into pre-iced cars, and require frequent re-icing en route. Oranges require no refrigeration in cool weather, but must be shipped under ice when the weather becomes warm. Apples require refrigeration in summer, and the insulation of refrigerator cars to protect them from freezing in winter. Other deciduous fresh fruits are shipped most extensively during hot weather, and require thorough refrigeration. All these fruits should be moved on as rapid a freight schedule as possible, to avoid decay or other deterioration in transit. Almonds and walnuts are not injuriously affected by ordinary extremes of heat or cold, and might be classed as non-perishable products so far as shipping is concerned; yet rapid movement of shipments is desirable since the chief demand for these commodities in eastern markets occurs

within a comparatively short time after the harvesting season. Raisins, prunes, and dried peaches, on the other hand, can be moved on a slower schedule, and have even been shipped to Atlantic coast points by ocean freight.

The method of selling and the thoroughness of distribution depend somewhat upon the nature of the product, but more emphatically upon its volume. An independent local association handling a relatively small volume of product, such as the Sebastopol Apple Growers' Union, can have its product handled through brokers located in various markets, at less expense than it could maintain agents of its own; and it does not attempt to distribute its products uniformly over the United States, but selects those markets where there is at the time a special demand for its particular product. While the Sebastopol Apple Growers' Union ships some of its Gravenstein apples (its principal product) to Chicago, New York, and even Liverpool, at times it leaves untouched many markets that are nearer; and the relative proportion of the product sent to a given market varies from year to year, depending largely upon the volume of summer apples available from other sources tributary to the given market. This shifting of the relative importance of different markets for their product from year to year, together with the shortness of their shipping season and the relative smallness of their volume, makes the handling of the crop through established brokers the most feasible plan.

On the other hand, a large marketing organization, like the California Fruit Growers Exchange, which ships oranges and lemons every week during the year, and the volume of whose shipments (aggregating nearly 30,000 carloads last year) necessitates the use of all the available markets in the United States and Canada all the time, has enough business to warrant the development of a marketing system of its own, whereby it maintains sales offices manned by salaried employees working under its own instructions, in all the leading markets. The California Fruit Growers Exchange has salaried representatives in 77 different markets, well distributed over the country. It aims to maintain an office in every market where its business amounts to the sale of 100 carloads or more of fruit per year. In other markets sufficiently large to handle oranges by the carload, the

Exchange is represented by local brokers, who work in conjunction with the Exchange office located nearest to them. In a few of the larger cities, especially near the eastern seaboard, the Exchange representative acts as receiving agent, and the fruit is sold at auction; but in most of the markets, the representative of the Exchange sells the fruit in carload lots directly to local jobbers.

The method of handling shipments to bring about as thorough a distribution of the oranges as possible, is as follows:

Every Friday, each representative in the markets wires the Los Angeles office an estimate of the number of cars his market can handle to advantage from the shipments to be made the following week, and the manager of each district exchange telephones the same office an estimate of the number of cars he plans to ship during the same period. With this information at hand, together with daily telegraphic reports on the condition of the various markets and the number of cars on track, and a knowledge of the number of cars en route, the Los Angeles office is in a position to give intelligent advice to the various district exchange managers in the distribution of the next week's shipments.

Continuous rains for several days in the producing region may interfere with picking to such an extent that the shipments of a given week may fall away below the estimate, and zero weather in the markets may prevent the normal movement of stock; also especially favorable weather at either end of the line may result in heavier movement than anticipated. Thus, the actual amount of fruit handled in a given week may differ widely from the original estimate. Nevertheless the estimate serves as the best available working basis.

As soon as a carload of oranges packed by a local association is ready for shipment, the manager of the association reports that fact by telephone to the manager of the district exchange to which the association belongs, giving a complete list of the sizes and grades in the car. While each local association has the right to determine where its fruit is to be shipped, this authority is usually delegated to the district exchange manager. In any case all the business has to be done through him, for the Los Angeles office of the California Fruit Growers Exchange recog-

nizes as shippers only the managers of the seventeen district exchanges.

The manager of a district exchange calls up the Los Angeles office every afternoon and reports what cars his associations have loaded ready for shipment, specifying grades, sizes, and association pack in each case. The market to which each particular car is to be billed is decided upon by the district exchange manager (unless the local association has demanded that its authority be not delegated) either during or after his consultation with the Los Angeles office. In any case the district exchange manager reports the shipment to the Los Angeles office as soon as the car is billed out. The bill of lading, together with a size list and other data, is then mailed to the representative of the exchange located in the market to which the car is billed. Since it takes the freight several days longer than the mail to reach destination, the agent has time to "work on" a given car some time before it arrives. However, he does not quote any price on a particular car until the day before it arrives. The second day before a given car is due at destination, the manager of the district exchange that shipped the car sets a price on it, after consultation with the Los Angeles office. This price is wired by the Los Angeles office to the agent in the market and he quotes that figure to the prospective buyer either before or after the car has arrived. If the jobber agrees to take the car at the price named, the deal is closed without further delay. If, however, the jobber is not willing to pay the price asked, but makes an offer, the agent is not at liberty to accept this offer, but must wire back to the Los Angeles office for instructions. Here the matter is discussed by telephone by the Los Angeles office and the manager of the district exchange who made the shipment, and a reply to the sales agent decided upon, the district exchange manager always having the right to render the final decision, though often acting largely upon the advice of the head of the sales department in the Los Angeles office. The offer may be accepted, or the car may be diverted to another market.

A car of oranges is always inspected upon arrival. The inspection is made either by the agent of the Exchange or one of his assistants, and includes opening and examining the contents

of three boxes of fruit to determine general appearance and condition, especially percentage of rot, if any. If there is much rot, or if the three boxes do not show fairly uniform condition, it is customary to open several more boxes — perhaps ten in all. In case there is over three per cent of rot, a corresponding percentage of the price quoted by the shipper may be deducted by the agent from the bill rendered the jobber. That is, the shipper guarantees delivery with not over three per cent of rot, at the price quoted; and if a greater amount of rot is found, the agent does not have to wire for instructions before allowing the deduction.¹²

In the selling and distribution of walnuts and almonds, commodities for which the principal wholesale demand is limited to a very short season, the maintenance of sales offices in the various markets would be utterly impracticable; and the growers' co-operative organizations handling these two products have wisely elicited the services of brokers, who represent them in the various markets. The California Walnut Growers Association and the California Almond Growers Exchange employ essentially the same methods in selling and distributing their products. Therefore, one description will serve for both. The manager of the organization calls upon the eastern brokers and the trade (jobbers) once a year to make or renew arrangements with the brokers and to assist in the creation and maintenance of good feeling toward the organization, on the part of the jobbers. All sales, however, are made through the brokers. They secure orders from the various jobbers in their respective territories, and transmit these orders to the California organization, several months in advance of the harvest. These orders are all taken subject to confirmation after prices are named. Prices are named by the growers' co-operative organization at the beginning of the harvest, and are transmitted by wire to all who have placed orders. By the terms of the buyers' contract, the orders must be confirmed or rejected within 36 hours after notice of price is received, though the buyer has the privilege of confirming his order for only a part of the quantity originally specified, if he

¹² Personal interview with D. C. King, Manager, Orange Sales Department, California Fruit Growers Exchange.

so desires. With the approval of the seller, he may also increase the amount of the order, at the price named.

When the walnuts or almonds are shipped, they are sent in straight cars to the large markets, and in "pool cars" to the smaller markets. A pool car is one containing shipments for more than one purchaser. By shipping pool cars it is possible to secure carload freight rates directly to any market where orders aggregating a carload can be secured, even though several dealers are represented; and in some cases shipments for nearby towns are included in a pool car shipped to a central point. The broker looks after the distribution of the contents of a pool car to the various purchasers. This method of distribution enables the dealer in a small market to secure his supplies directly from the growers' organization at practically the same price as dealers in the large markets, for the price f. o. b. California is the same to everybody, and the transportation charges are the same to all markets, except that there would be a slight additional charge for local freight or other transportation on small lots reshipped to towns other than destinations of pool cars, making the cost to the dealer slightly more in such cases.

These illustrations serve to show that California growers' co-operative marketing organizations have recognized the importance of employing methods of sale and distribution adapted to the nature and volume of their respective products.

LOYALTY OF MEMBERS AND EMPLOYEES

Loyalty of the individual members and mutual confidence among all factors in the organization are absolutely essential to the permanent success of any co-operative enterprise.

The idea of loyalty is inherent in the very idea of co-operation. When a group of men mutually agree to bind themselves together for the purpose of accomplishing a given object, each member of the group has a right to proceed upon the assumption that every other member intends to adhere to the agreement; and unless such an assumption is approximately in accord with the facts, disintegration of the group, before the object is accomplished, is almost inevitable. Furthermore, a co-operative enterprise is based upon the assumption that the various individuals entering upon the agreement not only *intend* to fulfill their ob-

ligations, but that they actually *will*; and the degree to which this latter assumption is in accord with the facts will furnish a fairly reliable indication of the probable ultimate success or failure of the organization.

Early in the co-operative movement among the citrus fruit growers, it was customary to make all agreements for only one year at a time. This gave the enemies of the co-operative marketing system a chance to persuade members to withdraw from the organization at the end of any given year, without breaking their technical obligations; and necessitated much reorganization work each year. Until the rank and file of the growers came to look upon co-operative marketing as a permanent arrangement rather than a temporary expedient, the very life of the organization was continually threatened; and but for the enthusiastic loyalty of the leaders and their consistent efforts to counteract the effect of outside influences, defections from membership would doubtless have been much more numerous than they were.

Merely remaining in an organization from year to year, and fulfilling all technical contracts, is not the full measure of true loyalty. Firm belief in the soundness of the principles of the organization and its methods of operation, and willingness to defend that belief in the face of opposition, are also essential. Lack of intimate knowledge of the detailed workings of the organization, on the part of the individual members, has sometimes stood in the way of their being as loyal as they otherwise would have been. The entire membership of a co-operative marketing organization should therefore be kept in sympathetic touch with the purposes, policies, and accomplishments of the organization as a whole. This can be done in part by printed publications or mimeographed bulletins sent out from the central office of the organization; but such expedients are very deficient in effectiveness as compared with the human voice in personal conference. Frequency of personal contact of member with member, of member with manager, of local manager with officials of the central office, and of officials of the central office with local associations, makes possible the clearing up of any uncertainties or misunderstandings and leads to a better knowledge and more enthusiastic support of the organization.

An industry in which the product is of such a nature that the

growers are likely to come in personal contact with the local managers at frequent intervals through a large part of the year has some advantages over other industries by reason of this very fact; for it serves to keep the individual grower in closer touch with the workings of his organization. This is especially true if the local manager also attends frequent meetings of the central organization and thus keeps fully advised on all matters pertaining to the welfare of the organization. The citrus industry serves as an illustration. In many districts, the shipping season is long; a very large number of the local associations are within a short distance from Los Angeles where the central offices are located; the central organization holds meetings once a week throughout the year; local managers and individual members are welcome at these meetings and large numbers avail themselves of this opportunity to keep in direct touch with the affairs of the organization as a whole. In addition to this, the members of the field department spend much time in visiting local managers at their packing-houses, not only advising them in reference to technical points on grading and packing, but also keeping them intelligently informed on all phases of the organization's work. The annual meeting of each local association is also made a special occasion for instructing the members in the broader phases of the organization's activities and accomplishments. A representative of the field department of the central exchange, and the manager of the district exchange, are usually present at such meetings. The importance of these meetings is emphasized by P. J. Dreher.¹³ Speaking of the "development of the co-operative spirit," he says: "It was largely brought about through a system of all-day annual stockholders' meetings, first adopted by the Indian Hill Citrus Association in 1897. Lunch is served at noon by the Association, to which the stockholders and their wives and families are invited. They in turn invite such of their neighbor citrus fruit growers as they believe will take an interest in the matter.

"The growers are urged to come and spend at least *one* day to the details of marketing a crop which it took them a whole year to produce. The meetings are called to order early and

¹³ Dreher, P. J., "Early History of Coöperative Marketing of Citrus Fruit." *California Citrograph*, Oct., 1916, pp. 2, 3, 17, 18.

continued through the day, the forenoon being taken up with the reports of the association, election of directors, followed by the District Exchange manager's report, while the afternoon is taken up with the discussion of these reports and such other matters as are of mutual interest to the industry. . . .

"At these meetings full opportunity is given and the members are urged to ask questions and bring out any and all points desired. The District Exchange manager reports fully on all matters pertaining to the Selling Department and answers fully all questions pertaining thereto.

"It is our aim to have the growers fully understand the condition of the industry in its early days, the struggles of the growers in bringing into working order the present Exchange system . . . and the method by which their fruit is marketed, as we believe with a clear understanding of our system on their part they will extend to the Exchange the confidence and support which is necessary for the success of any co-operative organization." ¹⁴

Not only does the California Fruit Growers Exchange plan to keep its 8,000 members in personal touch with the activities of the organization as a whole, but so manages its affairs that its representatives in the eastern markets do not feel nor act like isolated individuals, but realize their function as parts of one great organization, all factors of which are working together harmoniously with one object in view — the best possible distribution of the California citrus fruit crop. Each of the 77 district sales managers receives instructions by wire regarding every car of fruit shipped to his territory, and reports by wire daily to the general sales manager in Los Angeles, and is also in almost daily communication by telephone with his division sales manager, who is located in the most important market in the given division. The division sales managers, of whom there are seven, are men of long experience in the fruit trade, and, being located in the larger markets, are in closer touch with general trade conditions than are the district managers at the less important points. They not only advise with the district managers

¹⁴ Mr. Dreher is here speaking from the standpoint of an official in the central organization. He is vice-president of the California Fruit Growers Exchange, and manager of the San Antonio [District] Fruit Exchange having held the latter position continuously for twenty-one years.

in their respective divisions, but are in position to make personal visits to any of the markets as occasion may demand. In addition to this general supervision accorded each representative during the season, the general manager of the Exchange and the general sales manager visit each district sales manager at least once each year and talk over with him his particular problems as well as the general plans for the season's selling campaign. The division sales manager participates in these conferences with the district managers with his division. At times, also, as many as possible of the eastern representatives get together for a general conference with the heads of the departments of the central organization. These arrangements are conducive to harmony within the sales department and also serve to bind that department by personal ties to the other factors in the organization.

Thus in the marketing of California citrus fruits there is a complete chain of personal contact, under one organization, from the grower who produces the fruit, to the jobber who buys it in carload lots on the eastern market. The grower delivers his fruit at the packing-house of his local association, where he talks personally with the association manager; the local manager talks personally or by telephone with the district exchange manager at least once a day during the shipping season, and also attends the weekly meetings of the central exchange as often as he can; the district exchange manager talks by telephone with the general sales manager or one of his assistants regarding every carload of fruit shipped from his district, and also attends the meetings of the central exchange, where the sales manager reports on the chief activities in the various markets and on general market conditions, and where personal conferences are held between the sales manager and the district exchange managers; the sales manager, who has previously had personal conferences with all the eastern representatives, wires the instructions from the district exchange manager regarding each car; the eastern representative (district sales manager) talks personally with the jobber who buys the fruit.

Without this personal contact, and the mutual confidence among all the factors in the organization, which has been fostered by it, it is exceedingly doubtful whether the California Fruit Growers Exchange could ever have attained to its present efficiency in the marketing of California citrus fruits.

CHAPTER VI

OTHER CALIFORNIA MARKETING ORGANIZATIONS

The general principles of co-operative marketing as exemplified by the activities and experiences of California growers' organizations have now been considered. As stated in the introduction (p. 11) only about 20 per cent of the deciduous fresh fruit shipped from California is handled by the growers' organization representing that industry. Of the vegetable shipments, a still smaller percentage is distributed by growers' organizations. California shipments of deciduous fresh fruits and of vegetables are handled largely by organizations of commercial shippers. The most prominent of these organizations are the California Fruit Distributors and the California Vegetable Union. It will be of interest to consider briefly the methods of operation employed by these organizations, and to compare the relative advantages of marketing through such organizations and through co-operative organizations of growers.

The California Fruit Distributors is the marketing agency for fourteen commercial fruit companies and handles from 65 to 70 per cent of the California deciduous fresh fruits shipped to eastern markets.¹ It is represented by salaried agents in the leading markets and has its business handled through brokers in the smaller markets. These representatives wire daily market reports and reports of actual sales to the main office of the Distributors, in Sacramento; and this office furnishes mimeograph copies of these reports to the members (the commercial shipping firms) before noon each day. This is a simple matter, for nearly all the firms have offices in the same building (the California Fruit Building). All shipments made by the Distributors are reported by wire to the Omaha office, with car numbers and con-

¹ Personal interview with Charles E. Virden, General Manager, California Fruit Distributors, July 20, 1916.

tents; and the Omaha office gets out mimeograph sheets showing the shipments of each day and mails them to all the eastern representatives. These representatives can then wire requests for diversion of particular cars to their respective markets, and sell part of the cars while still rolling — or at least “work on” them.

The shipping firms which are served by the California Fruit Distributors get their fruit from the growers in any way they can, and may change their methods from year to year, or employ different methods the same year to suit the fancy of the different growers. Sometimes the shipper buys the fruit outright from the grower at a fixed price. Another method is for the shipper to guarantee the grower a definite, conservative price; and then, if the fruit nets a larger amount after marketing expenses are covered, to divide the profit evenly with the grower, each taking 50 per cent. Still another method is for the shipper to handle the fruit on a straight commission basis, the usual rate being 7 per cent on gross sales. Since each shipping firm pays the “Distributors” 4 per cent on sales for its services in connection with all shipments, the direct revenue to the shipper on commission business is only 3 per cent.²

The growers do most of the packing themselves, but it is customary for the shipping firm to have a representative call at each packing-house once or twice a day.

The California Vegetable Union is a close corporation owned by five or six men. It handles California vegetables on a commission or brokerage basis or buys them outright; and its shipments amount to 40,000 to 50,000 carloads per year, or about 75 per cent of the total California output.³

The California Vegetable Union has established packing-houses in fifty or sixty places scattered over the state. This concern aims to locate where the natural conditions are most favorable to the production of an especially fine grade of any given product in their line. The usual method is to go into a locality and or-

² Personal interview with James H. Hayes, Traffic Manager, Pacific Fruit Exchange (which is a member of the California Fruit Distributors), July 20, 1916.

³ Personal interview with H. S. Hazeltine, Secretary, California Vegetable Union, May 3, 1916.

ganize the growers into an association; then contract to handle the product of the association. After some preliminary work, a meeting of the growers is called, and the plan for handling the product is presented. Then the growers organize, elect directors and officers, usually including a manager. The Union then makes a contract with the directors; but since the association is usually not incorporated, the Union also draws up a contract which all the growers sign individually. Thus the Union has a contract with both the association and the individuals composing it. In most localities, this process of organizing the growers by the Union has to be repeated every year. For example, the San Gabriel Valley Potato Growers' Association has been organized by the Union every year for 10 or 12 years.

The Union handles potatoes for the growers' account at 10 cents per sack brokerage, or on a commission basis, and gives the growers the choice between the two methods at the time the contract is being drawn. In addition to the commission or brokerage, one cent per sack is retained with which the overhead expenses of the association are paid.

The Union ordinarily buys tomatoes outright. It contracts to handle the crop of an association and to pay the "market price." Said market price is determined as follows: Every Friday the representative of the Union and the manager of the association have a conference, and agree upon the price to be paid the following week, taking into consideration the market conditions, etc. The tomatoes are delivered in field boxes at the Union's packing-house and weighed in. After the tomatoes are graded, the culls are weighed back; and the Union pays only for the good tomatoes.

The Union usually *buys* the asparagus it handles. The asparagus is delivered at the packing-house in lug boxes, where it is weighed. After bunching, the stalks are cut to 9 inches in length. The butts and culls are all weighed back, and the Union pays only for the asparagus that is packed for shipment.⁴

While it is quite common for the Union to reorganize the growers of a given locality each year, sometimes a more permanent local organization is formed and a contract entered into for a term of years. For example, at one time the Union had a

⁴ Interview with H. S. Hazeltine.

five-year contract with a local association of celery growers near Santa Ana, in Orange County.

It is the practice of the Union to do the grading and packing of the products it handles. Even in the handling of potatoes, which are sacked in the field, men representing the Union do the sacking. Such methods result in greater uniformity in the product than is usually possible where individual growers do their own grading and packing, even under general supervision of the shippers' representatives; and in this respect the methods of the California Vegetable Union would seem to be superior to those employed by the shipping firms which compose the California Fruit Distributors.

Three years ago the California Fruit Distributors and the California Vegetable Union, together with various other corporations handling horticultural products, formed the General Sales Agency of America.⁵ The California Fruit Distributors had previously started an eastern agency, but the volume of their product was not sufficient to give the best results, and, furthermore, the movement of their product was confined to certain months of the year. In the building up of the General Sales Agency from the eastern agency of the Distributors as a nucleus, corporations came in which represented products the heavy movements of which came at different times of the year. This made possible the continuous employment of salaried representatives in the various markets, on a plan similar to that instituted years before by the California Fruit Growers Exchange for citrus fruits. In fact, the man hired to start the eastern agency of the Distributors had formerly been General Eastern Agent of the Exchange.⁶ The General Sales Agency of America now maintains agents in all the leading carlot markets of the country, who look after the sales of the shipments made by the various corporations which are members of the Agency. The Agency is paid a brokerage for each car of produce it sells, and if any money is made, it is expected that it will be distributed among the various corporations (members) in proportion to the amount of business done for each. The General Sales Agency is thus a

⁵ Personal interview with H. S. Hazeltine, May 3, 1916.

⁶ Personal interview with E. G. Dezell, Assistant General Manager, California Fruit Growers Exchange, May 4, 1916.

co-operative organization of commercial corporations for their mutual benefit.

COMPARISON OF COMMERCIAL MARKETING ORGANIZATIONS WITH
GROWERS' CO-OPERATIVE ORGANIZATIONS

A growers' co-operative marketing organization has certain advantages, from the standpoint of the grower, over commercial organizations like the California Fruit Distributors and the California Vegetable Union. The principal advantages are that any savings in the cost of marketing due to the large-scale operations, skill in management, or any other cause, and any increase in price due to superiority or standardization of the product, accrue to the benefit of the growers rather than the dealers. On the other hand, the commercial organizations quite commonly have one feature that is usually lacking in a strictly co-operative organization of growers, and which appeals with great force to growers whose capital is limited. This is the custom of paying the growers in cash upon delivery of the product at the packing-house or car, or even advancing money during the season, while the crop is being grown. This latter method is of fully as much advantage to the dealer as to the grower, since it insures him absolute control of the crop. The delay in securing returns through a co-operative organization, and the need of money at harvest time, or even before, have kept many growers out of co-operative organizations. Some organizations are trying to meet this situation either by incorporating with sufficient paid-up capital stock to enable them to pay the grower a large percentage of his proceeds upon delivery of his product; accumulating a surplus fund from savings in the costs of marketing, to be used in financing the growers who need help; arranging directly for loans at the local banks to be used in paying the growers a large percentage of the value of their products upon delivery; or making arrangements whereby the growers are enabled to make personal loans at the local banks, on the strength of their crop contracts with the organization.

Without some such arrangement as this there will always be growers who will be compelled by force of circumstances to continue to have their products handled by commercial dealers, no matter how fully in sympathy with the principles

of co-operative marketing they may be, nor how much they are in need of the additional saving in marketing cost that would accrue to their benefit if they were affiliated with a successful co-operative marketing organization. Sometimes those most in need of the benefits of co-operation are least able to avail themselves of them. Unless co-operative organizations are able to afford as immediate relief in financial stress as are commercial dealers, even though the toll exacted by the latter may be enormous, the growers most in need of assistance must continue to turn for relief not to their fellow growers, but to the independent buyers or commercial corporations. In some localities, the most serious practical defect in the co-operative organizations is their failure to provide for the financial needs of their numbers at, or prior to, the harvesting of their crops. The ideal plan for overcoming such a situation is the gradual accumulation of a surplus fund that will be available at the beginning of each harvest season for making such advances as the various growers may require. Of course, this method would be possible only after an organization had become established, and had been operating a sufficient length of time to have accumulated a surplus or reserve fund. A new organization, if it wished to make cash advances, would be obliged to elicit the co-operation of its local bank; and as has previously been stated, unless a local co-operative association of growers has the moral and financial support of the bank in the locality, its chances of success are greatly impaired. It is not ordinarily feasible to secure from the growers themselves, on any equitable basis, sufficient paid-up capital, at the beginning of the organization, to pay for any considerable portion of the products as delivered; so that, even with a fairly large capital stock, if the policy of payment on delivery is adopted, resort to the banks for loans must be made.

In addition to securing for the growers the benefits derived from marketing their own products, other advantages of growers' co-operative organizations over commercial organizations for the handling of horticultural products are the ability and disposition to purchase orchard and other supplies in large quantities and furnish them to the growers at cost; and the mutual exchange of information regarding improved methods of culture,

grading, packing or any other matter that will benefit the industry as a whole, from the standpoint of the grower.

AN EXAMPLE OF GOVERNMENT AID IN DISTRIBUTION

The past two seasons the Office of Markets and Rural Organization of the United States Department of Agriculture has assisted in the distribution of cantaloupes from the Imperial Valley to the extent of maintaining a bureau of information at Brawley (the chief shipping point) during the shipping season and encouraging the various shipping firms to make intelligent use of the information furnished, in determining the destination of their respective shipments. The cantaloupe crop of the Imperial Valley is marketed almost entirely through some sixteen or eighteen general distributors, each of whom has direct contracts with a number of individual growers⁷ (mostly Japanese), to whom they make advances up to a specified maximum, as the season progresses.

In 1914 all previous organizations of cantaloupe growers or dealers were inoperative; and the season was a disastrous one because of a lack of intelligent distribution of the crop. In 1915, the Office of Markets and Rural Organization detailed a man to the Imperial Valley to render such assistance as might be possible. He appointed a committee of five distributors,⁸ who made a list of all the carlot markets for cantaloupes, with the estimated capacity of each. This list was used as a basis of distribution throughout the season. Complete records were kept regarding quantities and prices in the various markets, and a more accurate schedule of market capacities was made for use in 1916, when the same general method of distribution, with the aid of information furnished by the government, was employed. The method was essentially as follows: Wires were received by the government man, from each market every morning, giving the quantity of cantaloupes in the market and the prices ruling. These were tabulated and a copy sent to each distributor. Be-

⁷ Exceptions to this general method are that Will Fawcett and Arakelian Bros., who themselves are general distributors, grow large acreages on their own accounts.

⁸ Personal interview with B. F. Coons (May 4, 1916), who was a member of this committee.

fore noon each day, each distributor reported to the office of the government representative the number of cars he expected to ship that day and the market in which he would like to place each car. These reports were tabulated so that the total number of cars designed for each market could be ascertained. A meeting of the distributors was held at two o'clock each day, and the estimated number of cars designed for each market was announced. If the relative proportions of the proposed shipments to the different markets did not correspond fairly well with the estimated relative capacities of the markets, adjustments were made at this meeting, voluntarily, by the various distributors, in order to effect a distribution more nearly in accord with the relative consumptive capacities of the various markets.⁹

The results of this method of distribution for the two seasons it has been in operation have been very satisfactory. However, much of the success of the method has been due to the tact, resourcefulness and personality of the government representative in charge of the office, and his assistants, in securing and maintaining the mutual co-operation of the distributors, without the existence of any formal organization; for there is no written agreement whatever, and no verbal agreement among the shippers to do anything except to state where they would like to ship each car of cantaloupes, and to announce any changes they may make after learning the total number of cars designed for each market.¹⁰ The continuance of the method depends primarily upon the personality of the men whom the government may detail to the Imperial Valley each season; for the government neither claims nor exercises any authority in the distribution of the cantaloupe crop, and the acts of each individual distributor are purely voluntary. Under such circumstances, the harmonious co-operation of the competing firms can be maintained only through the unauthoritative influence of the government's representatives.

⁹ Personal interviews with O. W. Schleussner, of the Office of Markets and Rural Organization; and attendance at meetings of the distributors, June 19, 20 and 21, 1916.

¹⁰ Since the above observations were made, United States Department of Agriculture Bulletin No. 401 has been issued, describing the method and results for the season of 1915.

CHAPTER VII

RELATION OF GROWERS' CO-OPERATIVE MARKETING ORGANIZATIONS TO CONTROL OF PRODUCTION, DISTRIBUTION, AND PRICES

The question sometimes arises as to whether or not growers' co-operative marketing organizations, as at present organized, possess the power to control the production, distribution, and prices of the respective commodities they handle; and if they have that power, whether they should have the right, under the law and in human justice, to exercise it. This question will now be considered in its threefold aspect.

First, should a growers' co-operative marketing organization have the right to control production; that is, to determine or limit the acreage of the given crop which each or any member of the organization shall be allowed to plant? None of the growers' co-operative organizations operating in the state of California at the present time, so far as known to the writer, have any provision for limiting acreage or assume to exercise any control over the amount of land which shall be planted to a given crop by its respective members. The success of the various organizations in marketing the crops produced by their members has led to large increase in acreage, planted partly by growers already members, and partly by new growers seeking membership by the time their plantations have come into bearing. The policy of the co-operative marketing organizations has been to welcome this increased acreage, whether it represented new plantings by existing members or the acquisition of new members with their new plantings. The door to these organizations has always been open; and they have undertaken to handle the product of whatever acreage their various members, acting as individuals, without restriction, might see fit to plant. This is as it should be. The function of a growers' co-operative mar-

keting organization is to promote, rather than restrict, production; to make increased production profitable, by reason of its efficiency as a marketing medium, rather than to increase profits to a favored few or per unit of product, by curtailing supply. With each increase in production, the respective organizations have extended their facilities for marketing, stimulated demand by special appeals in advertising or in price, and effected the distribution of the goods, instead of wasting their energy in contemplating means of restricting production.

The variation in production of horticultural products from year to year is likely to be large, even though the acreage were the same; for no two seasons are equally favorable for any given crop and the yields of horticultural crops are especially uncertain because of the susceptibility to frost injury, and the wide variations in the extent of that injury both as to area involved and degree of injury inflicted within the area. Under exceedingly favorable conditions a small acreage might yield a much larger volume of product than a large acreage in an unfavorable season. Control of acreage would therefore not necessarily control production. That is, no amount of control over acreage could be expected to result in uniform production from year to year. Therefore, even if an attempt should be made to control production, it would be ineffective except within quite wide limits. The only logical plan for the marketing organizations to follow is the one which they have adopted — viz., to accept all acreage offered, to secure as careful an estimate as possible of the probable yield, and to plan the marketing campaign accordingly.

The production of horticultural products represents an enterprise suitable to be undertaken by individuals; the marketing of these products can be facilitated by co-operation among neighbors; but the fact that a grower joins a marketing organization does not, and should not, involve the relinquishment of his right as an individual to determine the various details of his own business, including the acreage he will plant, and the special efforts he will exert with a view to securing as large a yield as possible.

The next questions for consideration are: (1) Who should determine the methods to be employed in disposing of the crop?

(2) What special methods of disposition may be resorted to in case of sudden increase in production? (3) Who should determine when resort should be made to these special methods and what portions of the product should be disposed of in each of the various ways?

If we are considering an independent local organization, unaffiliated with any central organization composed of similar units, the answers to the first and third of the above questions are very simple: These matters should be determined by vote of the growers who compose the organization. But if we are considering a large organization, composed of a number of local units, and handling the product of an extensive industry, the answers are, perhaps, not quite so easily reached. Yet, by keeping in mind the fact that in a truly co-operative organization, no matter how large or how complex, the final authority rests with the individual growers, it will be clearly seen that the marketing policies devised for handling the product of any organization must rest ultimately upon the sanction of the individual growers as expressed by vote in their local associations. Even if some important movement originates in the central body, composed of representatives of the locals, its acceptance by the organization as a whole should be dependent upon its ratification by vote of the members in the various locals. The central body may suggest radical steps to be taken; but no power except a majority vote of the membership of a given local should bind that local to adopt new or unusual methods in the disposition of its crop, even when an emergency arises. The local association is the unit of organization; any new policies of importance it adopts should be based upon a majority vote of its membership. The central body should have power to advise, but not dictate, regarding changes in marketing policy to meet new conditions from time to time. If concerted action on a given point is taken by all the locals, it may then be made binding upon the organization as a whole, through formal vote of the representatives of the locals in the central body. So far as possible, the establishment of policies should anticipate, rather than follow, the occurrence of an emergency.

Having disposed of the question as to who should have authority to determine the marketing policies of an organization, in

case any radical changes from former methods may seem necessary, the next point to consider is: What special methods of disposition of the product may be resorted to in case of sudden increase in production, or other causes leading to an apparent inadequacy of previously employed methods to effect distribution of the entire product? Existing facilities for marketing may be extended, more agents employed, new markets entered, and special advertising to increase immediate consumption resorted to. But in spite of these efforts, the relation between supply (meaning in this connection, the total product for the season, except in the case of very perishable commodities) and demand (which may be greatly influenced by industrial conditions in the region of the principal consuming markets) may be such that it is impossible to dispose of the entire product in the customary manner at prices which will make it worth while to continue shipping to distant markets all grades of the product which have previously been disposed of in those markets. The cost of the box, packing, freight, refrigeration, and other fixed charges in connection with the marketing of a package of fruit are the same whether the fruit is high grade or low grade, and whether or not it sells for enough to pay for those costs. When fruit is abundant, and high grades are selling in a given market at a low price, purchasers become exceedingly particular, and low grade fruit is discriminated against much more severely than when the general level of prices is relatively high. This makes it very difficult to sell low grade fruit under the circumstances in question; and in order to effect sales at all, the price must be extremely low. The longer the fruit is held, the more it deteriorates; and unless market conditions change, the lower the price at which it must ultimately be sold. If under the existing conditions in an eastern market, a given grade of fruit must be sold at a price so low that it will not cover the costs of marketing, it might better never have been shipped — unless the growers' organization is to be considered as actuated primarily by philanthropic motives. From a business standpoint, the only logical course for the growers' marketing organization to pursue is to grade the fruit more rigidly than ordinarily, and to ship to the distant markets only such grades of fruit as seem to have a reasonable prospect of selling in the given markets for

a price sufficiently high to return to the grower some net proceeds after all marketing expenses have been deducted from the gross sales.

In a case of this kind, what should be done with the lower grades of fruit, which are not shipped to the distant markets? In the first place, all the local markets in the producing region should be kept supplied to their full capacity at low prices. The cost of marketing would be slight, for there need be no expense for packages or packing; and all inhabitants of a producing region should have an opportunity to feast on fruits when they are abundant. In the second place, all markets near enough to be reached without resorting to refrigeration, and large enough to handle fruit of the given kind in carload lots when the price is low, should be supplied by shipments of fruit made in lug boxes, without packing. In the third place, the growers' marketing organization should, if possible, find some outlet for its fruit in some form other than the fresh state. This has already been done in reference to certain fruits. For example, various kinds of deciduous fruits grown by members of the California Fruit Exchange are regularly sold to canneries, and only that portion of the crop shipped to eastern markets, which, under the existing and prospective market conditions, promises to net the grower a larger return per unit than could be obtained by selling to the canneries. That is, the crop of a given kind of fruit is handled with a view to securing for the growers the greatest possible total net return, under the existing market conditions, whether disposed of in eastern markets or in California, and the percentage of the crop shipped east will vary considerably from year to year. With citrus fruits, the situation is somewhat different; for up to the present, comparatively little has been done toward providing outlets for the fruit which cannot be sold for use in the fresh state at a price that will net the grower something above the actual cost of handling. However, a start has been made, in the establishment of a factory for the manufacture of citrate of lime by a subsidiary organization of the California Fruit Growers Exchange; and a few small factories have been established by private individuals or companies for the manufacture of other citrus by-products, with a view to utilizing the

grades of citrus fruits for which there is not some other more profitable outlet.

In seasons when the crop of a given kind of fruit is small, it will pay to ship lower grades to eastern markets than when the crop is large. It is merely a display of good business judgment to withhold from eastern markets all those grades of fruit which, under existing market conditions, would not be fairly certain of selling for a price that would be in excess of the costs of marketing. The local association of growers in a co-operative marketing organization is the proper body to determine what disposition shall be made of the lower grades of the fruit produced by its members, at any given time; and it should make the decision whether or not to continue shipping a given grade, in case of unfavorable conditions in eastern markets, as shown by information secured through the central organization with which it is affiliated.

It is perfectly clear that the interests of the growers will best be served if shipments of a given grade of fruit cease when a point in eastern market conditions has been reached at which the price is so low on that grade of fruit that disposing of this fruit in the producing region for some secondary use would bring the growers a larger net return per unit of the fruit.

In case the product is one which does not lend itself readily to secondary uses, and is also of a perishable nature, it is a somewhat more serious question as to what disposition should be made of that portion of the crop which, by reason of the lowness of its grade and the low level of prices in eastern markets, would not net the grower something above the cost of marketing. Growers as a class are extremely loath to destroy any food product whatsoever; their tendency is to be entirely too lax rather than too severe in their grading, and to include in their shipments lower grade products than should ever be sent to market; and their disposition as individuals is to continue shipping a given grade of fruit they have grown, even after the market price of that grade has reached a point that does not cover the expenses of marketing. Growers' co-operative marketing organizations have established standards of grading; the shipment of "culls" is not allowed; and if these culls cannot be disposed of more profitably in some other manner, they are fed to swine, used as

fertilizer for the fruit plantation, spread along the roadway to assist in laying the dust, or dumped into a ravine. And all these methods of disposing of culls have met the approval of all those who understand the wisdom of refraining from attempting to market a grade of product which the market does not desire. In short, the destruction of culls is sanctioned in all producing regions; and the absence of those culls from the market by reason of their destruction is a source of satisfaction to the purchasers of fruit, even though they may not know it.

From the standpoint of the producer the ultimate reason why culls are not shipped to market is because they would not sell for enough to cover the expenses of marketing; or in other words, because the crop, with the culls eliminated, will bring more net return to the grower than if the culls were included. If then, market conditions become such that the next grade higher than culls, as ordinarily classified, could not be sold for enough to cover marketing expenses, there would be the same reason for the growers to withhold it from shipment, as in the case of culls under ordinary conditions, even if withholding it from shipment necessitated its destruction because of the absence of any other outlet. When there is not sufficient demand for a given grade of fruit to result in its purchase at a price that will cover the expenses of marketing, either in distant or local markets, and no secondary uses for the fruit can be devised that will take care of the volume in question, it is more profitable (or less unprofitable) for the grower to allow this grade of fruit to rot on his ranch, than to incur expense in shipping it to market. People may complain about the social injustice of allowing food products to go to waste, when the poor of the cities are crying for food. Perhaps the grower might be expected to give away his product when unable to sell it; and doubtless he would be willing to do so rather than see it rot; but there is no justice in expecting him to *pay for the privilege* of giving the product away.

The above discussion applies primarily to products of a perishable nature and in which there is wide variation in quality and degree of perfection between the different specimens constituting the crop as it is harvested. The most striking example of a commodity of this character is the cantaloupe. Under certain

conditions of the crop, the weather, and the markets, the only recourse that will save the shipper from the necessity of paying freight bills on unsalable products is such severe grading that over half the specimens are discarded as unsuitable for shipment. If this rigid grading were maintained by all shippers in a region, there would seldom if ever be any occasion for suspending shipments to allow the markets a chance to dispose of their surplus stock. But if, in spite of these precautions, the markets should become temporarily congested, on account of the rapid ripening of the melons during excessively hot weather, an organization of growers would be justified in suspending shipments for two or three days rather than pay freight on more melons than the markets could handle before they spoiled.

In the case of relatively non-perishable products, such as raisins and dried peaches, which can be carried over until the next year, if necessary, there should be no occasion for allowing any of the product to go to waste; and a growers' organization would not be justified in destroying any portion of such a product.

Prices of horticultural products are determined by demand and supply. Most horticultural products are looked upon mainly as luxuries or supplemental articles of food, rather than necessities or staples. Therefore the demand for these products is elastic; and relatively small changes in price are likely to be accompanied by comparatively large changes in amounts taken. This being the case, people would curtail their purchases if the price were placed abnormally high in comparison with that of other commodities they might desire to purchase. It would therefore be impossible for a growers' co-operative marketing organization, even if it controlled the entire supply of a given horticultural product of the type under consideration, to sell its output at an arbitrary price fixed without reference to the available supply as compared with the demand in the markets. Before California growers' co-operative organizations undertook the marketing of the respective products, the law of supply and demand was hampered in its operation because too many middlemen and speculators intervened between the producer and the ultimate consumer. In striving for large profits per unit of goods handled, the middlemen curtailed consumption by making prices high to the consumer, and in some cases decreased production by forcing

the growers to accept a price below the cost of production. The individual grower, far removed from the real consumer, had little influence upon the price he would receive for his goods, and no influence upon the price the consumer would pay. Middlemen largely determined the prices to both producer and consumer. It is right that the grower should have some voice in determining the price at which he will sell his product. It is not right that the middlemen should make large profits in handling his products when part of those profits represent losses to the grower by reason of his being forced by the first middleman in the series to part with his goods at a price below the cost of production. While, on account of his semi-permanent investment in orchards, a grower may for a time continue to produce fruits which he is unable to sell at a price as high as the cost of production, he will not go on indefinitely producing fruit for which he is receiving less than the cost of production. Under the old régime, growers, as individuals, were powerless to change conditions; and conditions did not change of their own accord, for they were controlled by the middlemen. By organization, the growers have been enabled to shift their market one step nearer the consumer, and to obtain some voice in deciding the prices at which they will sell their products. This has made it possible for the growers to realize prices somewhat above the cost of production; but the very nature of their products makes it impossible for them to exact prices not warranted by the relation of the supply to the demand.

Co-operative marketing organizations of growers are not regarded as combinations in restraint of trade, as interpreted in the administration of the Sherman Anti-Trust Act (1890) and Clayton Amendment (1914), or the (California) Cartwright Act of 1907 as amended in 1909. They promote, rather than restrict, trade; and their influence has been on the side of reducing, rather than increasing, the cost to the ultimate consumer.

CHAPTER VIII

REDUCING THE COST TO THE CONSUMER

In spite of what influence co-operative marketing organizations of growers have been able to exert in the direction of reducing the cost to the consumer, the consumption of horticultural products, especially those of a perishable nature, is often greatly curtailed by reason of costly methods of distribution employed after the goods have reached the wholesale market.

Various investigations have been made to determine the cost of getting different products from the producer to the ultimate consumer, under prevalent methods of distribution, including the profits of the various factors through whose hands the goods ordinarily pass. Such investigations usually disclose the fact that the most important factor entering into the high cost to the consumer, as compared with what the producer receives, is the existence of a wide margin between the price paid by the retailer and the price he exacts from the consumer. This margin is likely to be especially wide in the case of very perishable products, and is sometimes looked upon as justified by reason of the risk of loss due to spoilage, in addition to the high cost of service demanded of the retail dealer by consumers under modern social conditions. It has been stated ¹ that "retailers commonly charge twice as much for perishable fruits and vegetables as they cost, thus making their margins 50 per cent of selling price; sometimes they buy lettuce for 2 or 3 cents a head and sell it for 10 cents; and they take out similar margins on a few other highly perishable commodities." However, in seeking to protect himself from loss due to spoilage of perishable products while in his possession, the retailer adopts the very means that will tend to increase the volume of spoilage; to wit: fixing the price at so high a level that sales are slow, thus resulting in a portion of

¹ Weld, L. D. H., *The Marketing of Farm Products*, p. 434.

his unit of purchase remaining in his hands an unnecessary length of time, and greatly increasing the risk of deterioration and decay. That a moderate reduction in retail prices may greatly increase the sales and consumption of such a product as oranges, is amply proved by the experience of retailers who have followed the suggestions of the Dealer Service men of the California Fruit Growers Exchange and substituted a policy of large volume of sales at a smaller margin for their former policy of large margins per unit of sale. The reduction in loss due to deterioration and spoilage, by reason of the rapidity of sales, has been an important factor in increasing the retailers' profit under the new method. The goods are moved out before they have time to spoil.

However, many fruits and vegetables are very much more perishable than oranges, and under present methods of handling in most retail stores, the loss from deterioration is enormous. Lowering the prices would move the goods more rapidly and stop part of this waste; but something more is needed. Very few retail stores make any pretense at provisions for preserving the freshness of fruits and vegetables. Lettuce that has been shipped under refrigeration from California to Chicago or Pittsburgh at great expense, is unpacked and exposed to the warm dry air of a retail store in a neighboring suburb, where layer after layer of the wilted leaves is discarded from the heads remaining unsold as the days go by. Lettuce that has been perfectly preserved by proper precautions during its long journey from the Pacific Coast is allowed to deteriorate rapidly in the hands of the retailer because no attention is paid to providing facilities for its preservation. What is true of lettuce is true also of a number of other vegetables and of many fruits. Careful attention is given to providing every known means for their preservation from the time they are harvested on the ranch of the producer until they reach the store of the retailer; and then all precautions cease, resulting in a great economic waste. Products that with proper handling could be kept in good condition in the retail store for four or five days are practically worthless if carried by the retailer beyond the second day. Perishable fruits and vegetables arrive from distant producing points under refrigeration; wholesalers of such products provide facilities for keeping them cool; people equip their houses with refriger-

ators for preserving the food products after they receive them from the retailer; but the ordinary retailer takes no precautions whatever to preserve the freshness of fruits or vegetables while they are in his store. His failure in this regard vitiates to a large degree the value of the efforts expended by all other factors in attempting to place country products on city tables, in perfect condition.

The failure of retail stores to provide facilities for preserving fruits and vegetables in a fresh and sound condition is not without reason. Most retail stores that handle fresh fruits and vegetables carry them as an incidental line in connection with groceries and perhaps other commodities. Even the small grocery stores scattered through the residence districts of the medium-sized and smaller cities attempt to carry at least a meager line of fruits and vegetables. Stores which serve only a limited number of families and deal in staples rather than fancy groceries, do not handle sufficient quantities of perishable fruits and vegetables to warrant their incurring any considerable expense in providing facilities for the proper care of such products while in their possession.

Perishable fruits and vegetables will never be placed in the hands of consumers in uniformly acceptable condition, nor the economic waste that occurs in the hands of retailers eliminated, until the perishable nature of such products is clearly recognized by retailers in general, and their handling relegated to such dealers as will provide proper equipment for their preservation. There is no more reason for expecting every grocery store to handle fresh fruits and vegetables, than there would be for expecting it to handle fresh meats and fish. Only those dealers who have facilities for controlling the temperature and moisture conditions in certain portions of their establishments of sufficient size to accommodate their entire stocks of perishable products are expected to act as retailers of meats and fish. Until the same attitude is taken in reference to the retailing of perishable fruits and vegetables, the economic waste that occurs in the hands of the retailer cannot be wholly eliminated. There should be fewer retailers of fruits and vegetables in each city, and these should have their stores fully equipped with refrigeration facilities, and

other means for keeping their supplies in the best possible condition.

If the number of such stores in a large city were so small that each served several thousand people, it would be possible for the proprietors to purchase many of their supplies in large quantities directly from organizations of producers, and thus effect additional savings in the cost of distribution from producer to consumer, by reason of acting as their own jobbers, availing themselves of carload freight rates, and doing their own trucking from railway station to store.

It is probable that small cities would be best served if there were only one retail fruit and vegetable dealer in each. There would be no more likelihood of his charging exorbitant prices because of lack of competition than was true of the local butcher who in former years supplied a town with its meats; and he would be able to carry a better assortment of fresher stock than could a number of competing firms handling fruits and vegetables along with other table supplies. In a small town, where the demand for fruits and vegetables is insufficient to warrant the maintenance of an exclusive fruit and vegetable store, these products could be handled with much less waste and more satisfaction in connection with a meat market, with its refrigeration equipment, than in connection with a grocery store. Until the necessity of making fruits and vegetables prominent, if not exclusive, features in the stores that handle them is recognized, and facilities for their preservation are provided, the retailing of these commodities will continue to be attended with enormous waste.

If fruit and vegetable stores of the type suggested were started in the various cities under the proprietorship and management of capable business men, well-versed in the handling of the products in question, the superior condition of the products as delivered to the consumer, and the reduction in price made possible by the elimination of waste as indicated, should lead to the ultimate absorption of the retail fruit and vegetable trade of the respective cities by such firms, and the cessation of attempts to handle these products as side lines on the part of stores not properly equipped for such service.

In cases where private enterprise failed to grasp the oppor-

tunity for thus serving the needs of a community, the municipality might well afford to equip and operate a store or stores, as might be necessary properly to supply the needs of the city's inhabitants in reference to fruits and vegetables. This would relieve the grocers from the necessity of carrying a line of goods that, under usual conditions, is a constant source of annoyance, because of deterioration and spoilage due to the impracticability of providing proper equipment for the care of the small volume ordinarily handled in each retail establishment.

If, in addition to the concentration of the fruit and vegetable business of each city into a small number of properly equipped stores, an efficient, economical and sane delivery service were established, the costs of getting fruits and vegetables from the producer to the consumer could be very materially reduced.

The above discussion refers primarily to the handling of products which are shipped into cities from more or less distant sources. In the case of fruits and vegetables produced within hauling distance from the city where they are consumed, the cost of getting the goods from the producer to the consumer could be very much further reduced if the municipality would establish and maintain a system of properly equipped and organized public markets where producers could sell directly to consumers. However, the success of such an enterprise would depend upon the consumers being willing to give personal attention to their purchases, and attend to their own deliveries, except in the case of heavy articles bought in large quantities. For the handling of these, the municipality could readily maintain a delivery service operated in connection with the market, and managed along economical lines. To cover the cost of this service a slight charge could be made for each delivery.

In a municipal market of the type indicated, there would be practically no loss from spoilage, for fresh goods would be brought in directly from the ranches each morning the market was in operation, and any perishable goods remaining unsold would be hauled back to the ranches and diverted to secondary uses by the producers.

CHAPTER IX

APPLICABILITY OF CALIFORNIA CO-OPERATIVE MARKETING METHODS TO OTHER PRODUCING REGIONS

The great distance of California from the principal consuming markets of the country has been an important factor in emphasizing the necessity of organized methods of marketing her products; and the concentration of production of given commodities within limited areas has greatly facilitated the development of producers' co-operative marketing organizations; while the immense volume of certain types of her products has made possible the adoption of large-scale methods of distribution, including the maintenance of salaried representatives and the inauguration of nation-wide advertising campaigns. California's unique and commanding position among horticultural states, in that many of her important products are grown commercially in very few of the other states, has made feasible the development of a much wider marketing area than might otherwise have been expedient. With few exceptions, California's marketing problem has been to extend the use of her products, not by securing their substitution for similar products from other states, but rather by educating the consuming public to an appreciation of the advantages to be derived from using certain California products *in addition to* their customary purchases, or in some cases as substitutes for importations from foreign countries. For the most part, these commodities were not extensively used in America until California began to produce them in quantity, and was obliged to resort to special means for encouraging their consumption in eastern markets.

On the other hand, the important types of horticultural products of the eastern states other than Florida have been quite generally grown on the farms of New England, the Middle At-

lantic states, and the Mississippi Valley ever since agriculture became fully established in the respective regions; and eastern people have been accustomed to their use for generations. As manufacturing and trading centers increased in population, there developed within hauling distance of each one or more truck-producing areas which supplied the inhabitants with horticultural products of a perishable nature. As time went on and transportation facilities improved, the same kinds of products were grown farther and farther from the markets, the locations of the new producing areas being determined largely by soil and climatic conditions, in addition to transportation facilities. There was a special tendency to extend the producing regions southward for the sake of supplying the northern markets with given products earlier in the season than local-grown supplies were available. Thus it has come about that there are a large number of more or less widely scattered producing regions for each of the important horticultural products of the eastern portion of the United States, and that the various important producing regions depend mainly upon the same marketing centers for the disposition of their products. The difference in the time of maturity of the same perishable product in different regions makes it possible for the markets to be supplied successively from different localities; but since the ripening seasons in several localities overlap, and not infrequently coincide, each of the principal markets of the country is likely to receive supplies of the same product from a number of widely separated regions at the same time. This often results in great economic waste due to the transporting of goods much greater distances than would be necessary fully to supply the various markets if a more systematic method of distribution could be inaugurated.

In the case of the less perishable horticultural products also, especially those subject to winter storage, the various markets are supplied from widely scattered producing regions, without much apparent discrimination as to the relative locations of the respective producing and consuming centers. Here again the costs of distribution could be greatly decreased if each market were supplied with a given commodity from the most accessible producing regions for that commodity. It is true that production varies between wide extremes in the various produc-

ing regions from year to year, so that the same market cannot procure all its needed supplies of a given commodity from the same localities every year; but if each year the supplies were secured from the most readily accessible sources *that year*, it would be a great improvement over the present method of indiscriminate criss-cross shipments through the area in which the chief consuming markets are located.¹

The question is: How could such a reform in distribution methods be instituted? Would it be possible to effect a comprehensive organization of a large proportion of the producers of each of the important horticultural products east of the Great Plains, and secure a distribution of the products from the various producing regions to the different markets of the country in a manner somewhat similar to that employed by the California Fruit Growers Exchange or some other of the California organizations?

Local associations of producers, organized on lines similar to those employed by local associations in California, are perfectly feasible under eastern conditions in localities where large quantities of a given product are grown. This is attested by the marked success of certain such organizations. Nevertheless, the various producing regions for a given commodity are in most cases scattered over so wide a territory that frequent personal contact and intimate relationship among the representatives of the different regions are impracticable. Without such contact and relationship it is impossible to bind together the various units into one comprehensive working organization, in which the interests of each and every local association can be given due consideration. The geographical distribution of the producing areas renders a general organization of the producers impracticable.

What, then, can be done to effect an improvement in the distribution of the products? As already stated, local associations of producers are perfectly feasible. In some regions, an affli-

¹ The above was written before the Food Administration was established or the railroads were placed under government control. The indiscriminate criss-cross shipment of certain commodities has since been eliminated by government order.

ation of neighboring local organizations could readily be effected, and might greatly facilitate the marketing of the product from the entire region. Yet, something more is needed if a comprehensive and economical distribution of the country's products is to be effected. The work of the Office of Markets and Rural Organization, of the United States Department of Agriculture, in gathering and disseminating information regarding crop movements and market conditions suggests that an extension of this service might be made the means of enabling the various producing regions to place their products more intelligently,² and the consumers in the various markets to take advantage of variations in the supply of given commodities.

Not only should the producers be furnished with information regarding the actual movement of horticultural products, the quantities in prospect in the various producing regions, and the conditions in the various markets; but consumers, also, should be given access to information that will enable them to be of the most assistance in the movement of perishable commodities. Such information would be especially effective in the case of commodities for which there are secondary uses in addition to their primary use in the fresh state. For example, the quantities of strawberries, blackberries, plums or peaches purchased in a given market will be much greater if considerable portions of the purchases are to be used for canning or preserving than if all are to be consumed in the fresh state. Consumers do not ordinarily purchase fruit for canning until the price at which it is offered is lower than that at which they would be willing to purchase an ample supply for immediate use. However, when the supply on a given market increases beyond the normal demands for use in the fresh state, the possibility of selling it for canning makes the price remain higher than it would be if no such outlet were available. Therefore, it would be a decided advantage to the producer, the dealer, and the consumer, if the fact were generally known among consumers a day or two in advance when large supplies of a given perishable commodity

² This service has been greatly extended since the above was written, and is rapidly becoming an important factor in the marketing of perishable products.

were expected in a given market.³ The most feasible plan of furnishing such information to consumers would be to have it published in the daily press of the respective cities, the "copy" for publication being furnished by wire from Washington, and not subject to editorial alterations.

When furnishing information to shippers, the Office of Markets⁴ could be of signal assistance in diminishing the economic waste in distribution, by pointing out to the shippers of each locality the desirability of supplying the needs of the particular markets to which their respective regions are naturally tributary, under the conditions existing at that particular time. This method of influencing distribution would be most effective where the growers are organized for marketing purposes and where the volume of shipments from the region is sufficient to warrant the Office of Markets in maintaining a man in the locality during the shipping season. As suggested in connection with the discussion regarding Imperial Valley cantaloupes, much depends upon the personality and resourcefulness of the men who are detailed by the government for such service. It is possible that the time may come when a corps of men employed by the government, and detailed to the various producing regions and consuming markets, will practically determine the distribution of perishable horticultural products, even though they issue no orders and assume no authority.

³ In Providence, Rhode Island, the marketing of home grown vegetables (especially spinach) was greatly facilitated in the spring of 1917 by advising consumers in advance when heavy supplies were in prospect. This method has since been employed in other cities.

⁴ Now Bureau of Markets.

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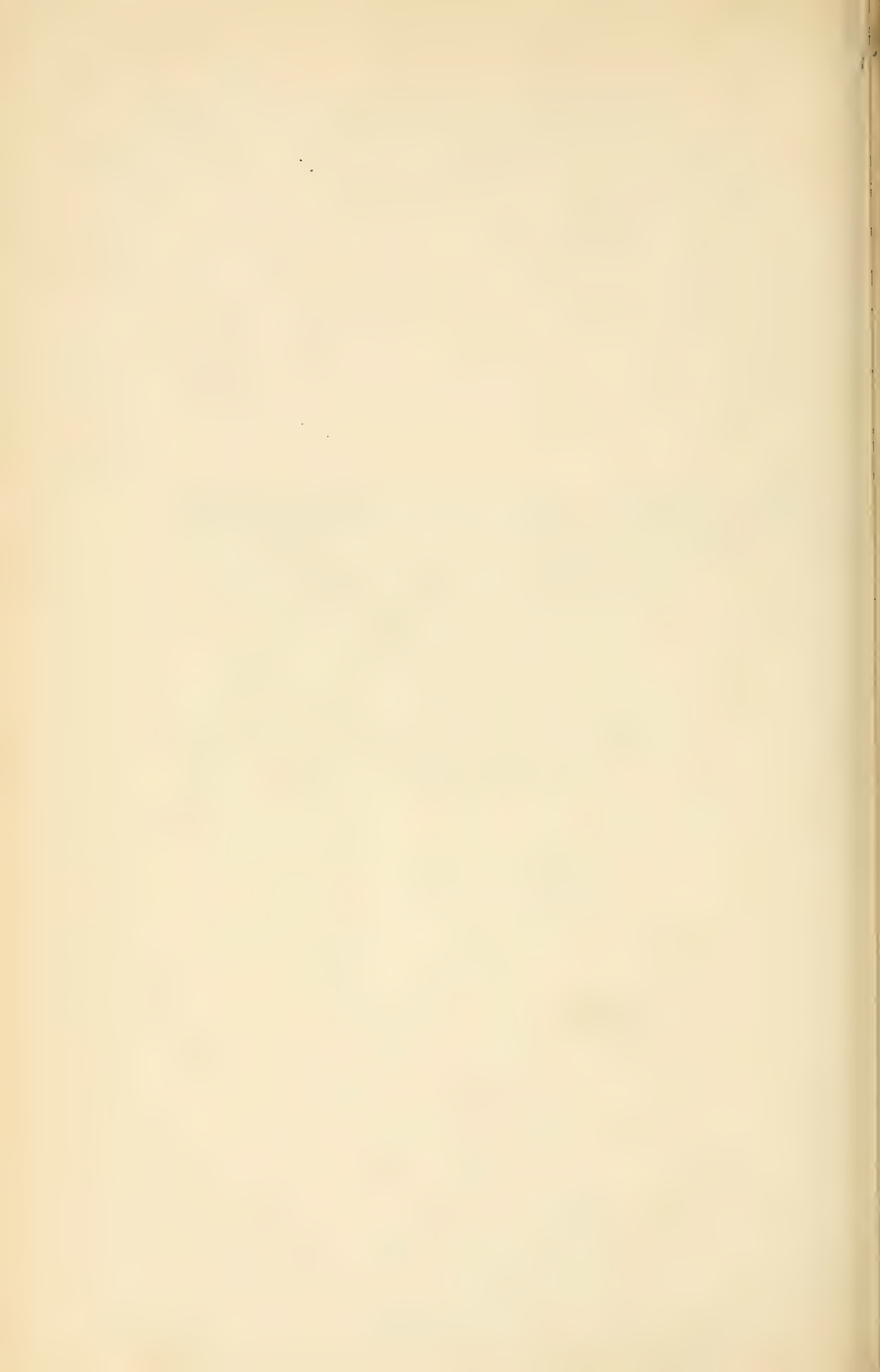
The History of Cumulative Voting and Minority Representation in Illinois, 1870-1919

BY

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Associate Professor of Political Science
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REVISED EDITION



PREFACE TO THE REVISED EDITION.

The principal object of this revision has been to bring the statistical tables and current information up to date, with such changes and additions to the text as the modified tables and the passing of events since the original publication have made necessary or advisable. The enactment of a valid primary law by the State of Illinois in 1910 has presented a new question and a chapter has been included discussing the effect of the primary system as disclosed by its use over a period of five biennial elections.

The author is indebted to his colleague, Mr. Herman B. Chubb, who rendered material assistance in the revision. Dr. W. F. Dodd has read the manuscript and made important suggestions, particularly regarding present local conditions in Illinois. The author is also under obligations to Miss Katherine Summy for assistance in proof reading.

B. F. M.



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INTRODUCTION

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In the view of the early meeting of a Constitutional Convention in Illinois and the certainty that the question whether the existing scheme of minority representation shall be retained will be the subject of much discussion in the Convention, the publication of a revised and up-to-date edition of Professor Moore's useful and impartial study of the actual working of the cumulative system from 1872 to 1919 is most timely. He sets forth the reasons which led the Convention of 1870 to establish a system which departed from the practice of the rest of the country and has not yet found favor in any other state, examines the somewhat extravagant claims that were put forth in support of it by its advocates, and details the actual operation of the scheme, in an effort to show to what extent if any the advantages claimed for it have been realized in practice. The results show that with a few exceptions the principal minority party in each of the legislative districts has been able to elect at least one of the three members of the house of representatives to which the district is entitled, there having been only six instances since 1872 in which one party succeeded in electing all three members. The system has therefore resulted in practice in enabling the chief minority party in the state to elect more than one-third of the members of the house of representatives. But as the author points out the system does not necessarily insure proportional representation; its advocates in fact did not claim that it would have this result. Nevertheless, so far as the two dominant parties are concerned, it has in practice resulted in what amounts to a system of proportional representation approximating mathematical exactness. Since the senate is not elected according to the cumulative system and since 50 per cent of its members are always "holdovers" it may

and not infrequently does fall short of representing the prevailing political sentiment of the state at a given time. Thus in 1904-06 the principal minority party was represented in the senate by less than half the number of members it was entitled to on the basis of its vote at the last election.

Mr. Moore also points out that the scheme does not insure proportional representation to minor political parties: the Socialists, Progressives, Prohibitionists and others. In fact, however, third parties have been represented in every legislature since 1872, with six exceptions, though it has rarely been in proportion to their voting strength.

While, as stated above, the principal minority party in each district has, with six exceptions since 1872, always succeeded in electing at least one of the three representatives, it has also happened in 47 instances that it elected two of the three. In 1912 this occurred in eleven districts. Such slips of the cog may be due as the author shows to the over-conservatism of the majority party or to inaccurate estimation of its voting strength which causes it to nominate but one candidate; it may also result from over estimation of its voting strength which leads it to nominate three candidates. This usually results in the division of its vote to the advantage of the minority party if the latter puts only two candidates in the field. Finally, and this is the most common, it may result from excessive cumulating or "plumping" of votes on a popular candidate to the detriment of his party running mate, or from the "knifing" of a nominee from another county in favor of the home man.

Since the publication of the first edition of Professor Moore's study the primary law has been enacted and he very properly adds a chapter to the new edition, showing how the working of the cumulative system has been affected by the law. This law empowers the senatorial committee in each district to determine the number of candidates that shall be nominated by the party which it represents whereas formerly the number was determined by the party managers. Prior to the enactment of the primary law a standing complaint of reform organizations such as the Legislative Voters' League was that the majority party in each district rarely nominated more than two candidates and the minority not more than one. As no more candidates were nominated than there were representatives to be chosen the

voter had little choice at the election. Since the enactment of the primary law there has been some increase in the number of candidates nominated (42 per cent of the Cook County districts have nominated four or more candidates; in 1918, 17 districts outside of Cook County did this) but the proportion is still comparatively low so that in the majority of districts the voters still have no choice at the general election. This is regrettable, but as Professor Moore points out, where a party nominates more candidates than it can elect it will be exposed to defeat through a division of its voting strength. If each party for example were to nominate three candidates as the Legislative Voters' League advocated, the majority would probably elect all three members and the system of minority representation would break down.

In his general evaluation of the merits and demerits of the system Professor Moore shows, as stated above, that it has with the few exceptions mentioned enabled the minority party to elect over one-third of the members of the house, and in this respect it has fulfilled the main purpose of its sponsors. But there is no evidence that it has resulted in the election of representatives of greater ability or larger breadth of view than were elected under the old system prior to 1870 or are now elected in other states. Apart therefore from the advantage of insuring that the leading minority party be represented by a certain number of its own adherents the system does not appear to possess any particular merit, if one considers only the intrinsic character of the legislature and the general interests of the state which it is intended to serve.

The most serious defect of the system is to be found in the fact that it has in some cases resulted in the election of a house of representatives in which no political party had a majority. In such a house no party possesses power or responsibility; party strife is accentuated; paralysis is apt to characterize the proceedings and the output of constructive legislation is likely to be disappointing.

Furthermore, it sometimes results under the cumulative system that the party which elects the governor has only a small majority of the representatives. Under these circumstances a few members may hold the balance of power, and the governor may find it impossible to carry out the legislative program

upon which he may have made his campaign and which may have received the endorsement of the majority of the voters. To be sure this situation may, and sometimes does, happen in other states where the cumulative system is not in force, but it has happened more frequently in Illinois in recent years than elsewhere.

On the whole, a study of the results, and they have been set forth by Professor Moore in a fair and judicial manner, does not quite convince one that the system is superior, if the general interests of the state as a whole be considered, to that of the other states. Certainly many of the advantages claimed for it in the beginning by its advocates have not been realized in fact, and it is doubtful whether the advantages that have been realized have not often been offset by the disadvantages.

CHAPTER I

NEW METHODS OF REPRESENTATION

Elections by pluralities and the failure of large groups in each community to obtain representation in the government have led to the proposal of numerous remedies, the principal of which are indicated briefly below.

(1) When but one officer is to be elected, plans of preferential voting have been proposed whereby the voter may express his second or further choices. Thus, when there is but one official to be elected and three candidates, no one of the three may have a majority, and the expression of second and third choices may indicate an actual choice of the majority of the voters. Let us suppose that A has 400 votes, B, 300 votes and C, 300 votes. If A is declared elected upon the basis of this vote he is clearly a minority choice whereas 600 voters may prefer either B or C to A. The expression and count of a second choice does, it is claimed, produce a better representation of public sentiment and preferential voting of this character has been adopted in many parts of the world. There are a number of methods of counting second, third or further choices, of which the best known in this country (and perhaps the least satisfactory) is the so-called Bucklin system, first applied in Grand Junction, Colo., and now employed in Cleveland and other cities.

(2) The limited vote. Where there are three or more persons to be elected, this plan has occasionally been adopted. For example, if three candidates are to be elected, each voter will be given but two votes, and the majority party will thus be able to elect only two candidates, if the minority party is fairly strong and is well-disciplined. Such a plan will normally give representation to the strongest minority party. For some years this plan was employed in the election of aldermen in New York City and in Boston and is also used in the election of judges in Pennsylvania.

(3) Cumulative voting, of which the most striking example

is that of Illinois, to which this study is devoted. The cumulative voting system provided for by the Illinois constitution of 1870, applies to a district electing three members, and gives each voter three votes to cast — three votes for one candidate, one and one-half votes each for two candidates, or one vote each for three candidates.

(4) Proportional representation. The limited vote and cumulative voting obtain a representation of minorities, but strengthen the party organizations, and give representation ordinarily to the two strongest parties only. The ideal of proportional representation is that representation shall, as nearly as possible, be in mathematical proportion to the votes cast by each separate group or party. If a district elects only three representatives, this limitation of number means necessarily that at most only three groups of voters can be represented, and that usually under almost any system, only the two stronger will have representation. Proportional representation therefore requires larger districts, each electing a greater number of persons. Suppose for example, a district which has 70,000 voters and elects 7 members. A mathematical distribution of the votes of the seven members might be as follows:

Republicans	30,000 votes — 3 members
Democrats	20,000 votes — 2 members
Progressives	10,000 votes — 1 member
Socialists	10,000 votes — 1 member

Even with larger districts and with a scheme that will count every vote effectively, exact mathematical results will, of course, not be obtained, but the result will be more nearly accurate than under cumulative voting.

The several plans of proportional representation involve a considerable amount of technicality, though the actual operation of the several systems is not particularly complex. The two plans most discussed are (1) the single transferable vote and (2) the list system. Under the single transferable vote system, the voter votes for but one candidate, no matter how many candidates are to be elected, but expresses also his second, third or fourth choices. If the candidate for whom he votes has more than enough votes to be elected, the surplus votes are transferred, in order of the choice expressed, to some other

candidate who has not sufficient votes; in this manner the loss of votes is reduced to the minimum. Under the single transferable vote system there are several methods of counting, the best known of which was devised by Thomas Hare. Under this scheme parties follow the usual custom of designating candidates, but independent candidates may also be freely nominated.¹

The list system is best known through its use in Belgium. The system, as used in that country, involves the presentation of a list of candidates by each party, the voter then casting his ballot for the list and he may also express his preference among the candidates on the list. Each party obtains a number of seats in proportion to the votes cast for its list. The party arranges the order of the names on the list and the seats apportioned to each party go to the candidates in this order, unless the voters have expressed a different preference. Under the Belgian system the party thus not only designates the candidates but normally also determines the order in which they shall be declared elected.

Other countries, while using the list system in its essentials as described above, have varied it in details. The variations are usually designed to lessen party control and give the voter a wider freedom of choice.

Above are described the principal methods which have been used at various times in attempts to secure a fairer representation in government councils than is afforded by the ordinary plurality method of election. A considerable number of other schemes have been applied but usually they are fundamentally based on some of the principles indicated above though they vary somewhat widely in details.

The founders of the American Republic were thoroughly imbued with the spirit of equal political rights to all, but in a country so extensive and populous as the United States, direct participation in government by each citizen was obviously impossible. To avoid this difficulty and yet apply the theory to a practical government a representative democracy was formed.

¹ For a judicial discussion of the constitutional aspects of preferential voting see *Brown v. Smallwood*, 130 Minn., 492, and cases cited therein; for a different view see *Orpen v. Watson*, 87 N. J. Law, 69.

It was soon apparent, however, that the scheme adopted secured only partial representation inasmuch as officials were sometimes elected by an actual minority of the voters and consequently large classes had no authorized agent in the legislative councils.

The movement for representative reform was not accidental but was the logical result of prevailing conditions and theories. During the first half of the nineteenth century the various states occupied themselves with liberalizing their governments and properly distributing political power among the legislative, judicial and executive departments. When this was accomplished to some degree of satisfaction their attention was next turned to securing better representation for minority parties and factions which had greatly increased because of the wide extension of the elective franchise about the middle of the last century. In England there was a particular reason for advocating proportional representation, for when the number of voters was largely augmented in 1867, the aristocratic and landed classes feared that they would be entirely excluded from representation in the government unless some form of minority representation should be provided. The political leaders, however, were soon convinced that they had nothing to fear, at that time, from the newly made voters and consequently lost interest in the reform.

While active agitation for representative reform began about 1865, its origin can be traced farther back. In 1814 Norway made some provisions in its constitution for the representation of minority parties. During the discussion on the Reform Bill in England in 1832, minority representation was considered but received no legal recognition. In the United States some of the states, where the general ticket plan of election prevailed, were sending single party delegations to Congress, and in 1842 that body directed that Representatives in Congress should be elected by the district method, thus insuring better representation for both parties and localities. In 1845 the Danish government adopted a plan of proportional representation.

The year 1844 marks the beginning of a permanent literature and systematic study of the subject. In that year appeared Thomas Gilpin's work entitled: "On the Representation of Minorities of Electors to Act with the Majority in Elected Assem-

blies," but the volume attracted little attention at the time of its publication. Ten years later James Garth Marshall published his "Majorities and Minorities: Their Relative Rights," a book which contained the first printed account of the cumulative vote. In 1859 Thomas Hare produced his noted volume, "The Election of Representatives, Parliamentary and Municipal." John Stuart Mill became an advocate of representative reform in 1865 and popular interest in the scheme was now fairly well started.

In England the discussion crystallized into law in 1867 when the limited vote was adopted for parliamentary districts returning three members. In 1870 the members of the English school boards were elected by the cumulative vote. The number of places to be filled was comparatively large, sometimes as many as fifteen, and the voters manipulated their ballots to suit their individual tastes, which inevitably resulted in confusion and inequalities. In the United States, during the period of the bitter struggle in Congress following the Civil War, the need of representative reform became evident, for not only was the Congress then sitting representative of only one section of the country but fresh in the minds of the people was the memory of a great war, hastened, if not brought on, by the action of the governing bodies in which the radicals of both sections predominated to the exclusion of a large body of conservatives. In 1867² and 1869³ Mr. Buckalew of Pennsylvania proposed in the Senate of the United States that the cumulative vote be applied to the election of Representatives in Congress. In 1870⁴ and again in 1871⁵ the subject was debated in Congress, but this body was not inclined to make concessions to the Democratic minority.

Although the various representative reform bills failed in Congress more success was attained in the states. In 1867 New York used the limited vote in the election of delegates to a constitutional convention.⁶ A clause providing for minority representation in the state legislature was incorporated in the

² *Congressional Globe*, 40th Congress, 1st Session, 513.

³ *Congressional Globe*, 40th Congress, 3rd Session, 320.

⁴ *Congressional Globe*, 41st Congress, 2nd Session, 4735, *et seq.*

⁵ *Congressional Globe*, 42nd Congress, 2nd Session, 63, 110.

⁶ *Session Laws*, 1867; Ch. 194, 286.

Illinois constitution of 1870. The cumulative vote was applied to municipal elections in Pennsylvania in 1871⁷ and to Wilmington, North Carolina, in 1872,⁸ but in both cases the laws authorizing this were soon repealed. In the latter year, in an attempt to break the power of Tammany, the cumulative vote was provided for in a new charter for the city of New York, but the Governor interposed his veto.⁹ Pennsylvania applied the limited vote in 1873 to the election of certain judicial officers. By constitutional provisions the cumulative vote has been applied to the election of directors in private corporations in eleven states.¹⁰

Popular interest in the reform waned after 1875 and for some years it made but little progress. Later, however, interest in the question revived both in the United States and in foreign countries and more recently slow but continued advance has been made. Ohio¹¹ in 1884 and Michigan¹² in 1889 made a limited application of the principle of minority representation, but in both cases the statutes applying the theory were held to be unconstitutional.¹³ In 1891 South Dakota rejected a proposed constitutional amendment providing for minority representation in the Legislature. About the same time several of the Swiss cantons provided for proportional representation, and in 1899 Belgium adopted a modification of the Swiss plan for the election of members to the lower house of the national Legislature. In 1900 Japan provided for the election of members to the popular branch of parliament by a proportional representation scheme of the single non-transferable vote type.

During the last decade the movement for a more representa-

⁷ *Session Laws*, 1871, 283.

⁸ *Private Laws*, Session 1871-72, 139.

⁹ *Public Papers of Governor John T. Hoffman*, 353; also *Journal of the Assembly*, New York, 1872, Vol. 2, 1596. This message discusses at considerable length the advantages and disadvantages of minority representation.

¹⁰ Ill., Neb., Cal., Pa., W. Va., Miss., Idaho, Ky., N. Dak., Montana, Mo. Commons, "Proportional Representation."

¹¹ *Session Laws*, 1884, 121.

¹² *Session Laws*, 1889, 374.

¹³ *State v. Constantine*, 42 Ohio, 437; *Maynard v. Board of Commissioners*, 84 Michigan, 228.

tive system of electing members of deliberate bodies has made considerable progress. In several instances countries have experimented with the idea of proportional representation in a restricted manner, as for example, electing a limited number of representatives under the system rather than applying the principle to the whole legislative body.

In 1906 provision was made to elect the Finnish Diet by proportional representation, but later this was interfered with by Russia. In 1908 a statute was enacted providing for the election of councilmen in the Danish cities on the proportional basis, and in 1915 a law was passed providing for a system of proportional representation for parliamentary elections which is combined with a system of single member districts. The first election under the system was held in April, 1918.¹⁴

In 1909 Tasmania made general what had previously been applied only partially and provided for the election of all members of Parliament by a proportional scheme. In the same year Sweden arranged for the election of members of both houses of Parliament and the committees of those houses by the list system; a similar plan was also applied to the election of members of the county and municipal councils. Likewise in 1909 South Africa applied the proportional representation idea to the election of members of the Senate and also to the elections in a limited number of local political units.

In 1913 the Chinese Parliament was elected by a rather crude system of proportional representation. Two years later New Zealand provided for the election of the legislative council by a proportional representation scheme, and also made the plan optional with the cities for the election of local officials.

The Russian constituent assembly, chosen in 1917, was elected on a proportional basis. The same year Holland adopted the recommendation of a commission appointed to report on the subject, and provided for the election of the lower house of Parliament and for the provincial and municipal councils by a scheme of proportional representation based on the Hare system. In 1918 the lower house of the New South Wales legislature was chosen on a proportional basis. Proportional representation is

¹⁴ The system and the results under the first election are explained in the *American Political Science Review* for November, 1919.

provided for in the new constitutions of Germany, Czecho-Slovakia and Poland.

In 1919 the French Parliament after long discussion of the subject and much agitation throughout the country enacted a law providing for a system of proportional representation in the Chamber of Deputies. Hereafter every department will choose as many deputies as it has multiples of 75,000 inhabitants of French nationality. Remainders in excess of 37,500 will choose an additional deputy. Departments whose population entitle them to more than six deputies will be divided into sections each of which will elect three deputies according to the list system. The first elections under the new law take place in November, 1919.

In England in recent years the question of representative reform has also been attracting attention. In 1906, in response to an address, a report was made by the Foreign Office to the House of Commons indicating what representative reforms had been made, or were in the process of being carried out, in various foreign countries. At the close of 1908 a Royal Commission was appointed to investigate the various schemes adopted or proposed in order to secure a fully representative character for popularly elected legislative bodies and to consider to what extent these systems might be applicable to the English electorate. This Commission conducted quite an elaborate investigation. Because of the peculiar political conditions and traditions of England this Commission was unable to recommend for present adoption the transferable vote system for the election of political officers. The Commission, however, did recommend the use of the alternative vote in those constituencies returning more than two members.

In 1910 Parliament passed an act authorizing all English and Welsh cities, at their option, to apply the proportional representation scheme in the election of local officials. In the Home Rule Bill for Ireland, passed in 1914, proportional representation was provided for the Senate, as soon as popular elections should begin, and for 31 constituencies returning three or more members to the lower house.

In 1918 "The Representation of the People Act," passed by Parliament, provided that the eleven University members of the

House of Commons should be elected by the Hare System of proportional representation. The act also provided for the appointment of commissioners to prepare a scheme for the election of 100 members of the Commons on the principle of proportional representation for those constituencies returning three or more members. This commission was duly appointed and in a report rendered a short time later recommended that proportional representation be applied in certain districts, but did not propose any definite plan, and none has as yet been adopted.

In the United States representative reform has also recently received a considerable amount of attention, mainly in the cities, and the idea has made no very definite progress in any political unit of a larger nature. However, in 1917, Congress arranged for a mild form of proportional representation in Porto Rico. In an act passed in March ¹⁵ of that year it is provided that five of a total of nineteen Senators shall be elected at large, each voter to have one vote and the five candidates receiving the highest number to be declared elected. The act also provides that four representatives out of a total of thirty-nine are to be elected at large by the same scheme.

The civic awakening in American cities since the beginning of this century which has resulted in various changes in the structure of municipal government, such as the commission plan in varying forms and the more recent city manager, has also brought with it serious consideration of representative reform. While the latter has been discussed in a considerable number of instances in connection with municipal reforms, in but a few cases up to the present has proportional representation been actually adopted.

In 1915 Ashtabula, Ohio, adopted a charter which provided for the election of a council of seven at large from the city by proportional representation, using the quota system. The first election under this charter was held in November, 1915. There were fourteen candidates for the seven places and 3,334 ballots were cast. Practical difficulties in counting the votes under this system did not seem to appear and the council elected was of a representative character. The second election was held in November, 1917, and the immediate results seem to be satisfactory.

¹⁵ *U. S. Statutes at Large*, Vol. 39, 959.

Boulder, Colorado, a city with a population of about 12,000, adopted in the latter part of 1917 a new charter providing for a council of nine members, three to be chosen every two years and each group of three to be elected by the Hare system of proportional representation. One election has been held under this charter, and no practical difficulties seem to have been encountered in either casting or counting the votes.

In the early part of 1918, Kalamazoo, Michigan, adopted a charter which provides for a city council of seven members to be elected at large under the Hare system of proportional representation. At the first election held under the new charter, twenty-three candidates appeared. Unfortunately issues other than local become involved. The election was held during war times and questions of loyalty were injected into the campaign. One candidate classed as a socialist and radical was bitterly attacked. Nevertheless he was elected, and this at the time caused considerable dissatisfaction and adverse criticism on the part of certain classes. However, the fact that such a candidate could be elected under the circumstances is a good proof of the representative results secured by the system, as a limited number of voters, which otherwise would have been hopelessly outnumbered, were able to select the candidate of their choice.

That a theory which contains so much inherent justice has failed to receive wider application is due to a variety of causes, the most important of which are the practical defects of the various plans tried and the failure to protect them from abuse. Moreover, the enactment of such a law involves giving large power to an opposing minority and such self-sacrifices are not common in the history of political parties.

Since the adoption of the proportional representation scheme by the cities of this country has been so recent, it is as yet impossible to ascertain with any certainty the merits of the plan as determined by actual tests in the municipalities. In two states, however, Illinois and Pennsylvania, minority representation has extended over a period of time sufficiently long to afford it an opportunity to work out logical results. The constitution of Pennsylvania, in a special provision for Philadelphia, provides that in the election of city magistrates, "No voter shall vote for more than two-thirds of the number of persons

to be elected when more than one are to be chosen.”¹⁶ The constitution also states that “Whenever two judges of the supreme court are to be chosen for the same time of service, each voter shall vote for one only, and when there are three to be chosen he shall vote for no more than two.”¹⁷ Although excellent judges have generally been chosen, yet the limited vote seems to be regarded as a useless complication and will probably be dropped at the first opportunity.

¹⁶ *Constitution of 1873*, Art. 5, Sec. 12.

¹⁷ *Constitution of 1873*, Art. 5, Sec. 16.

CHAPTER II

ADOPTION OF THE CUMULATIVE SYSTEM IN ILLINOIS

In Illinois the defects of the second constitution, especially the legislative provisions, were constantly becoming more apparent to political leaders, and in 1862 an unsuccessful attempt was made to remodel the organic law of the state.¹ As soon as the Civil War was over constitutional reform was again considered, and the question of calling a convention was referred to the people for decision. Although there was practically no opposition the indifference was so great that the proposition was carried by a very small majority. Delegates were duly elected and the convention met December 13, 1869. The assembly was probably the ablest body that ever met in the state, a large number of the members having had extensive experience in public affairs. The first week was consumed in organizing and on December 20th the standing committees were announced.² One of these was designated as the Committee on Electoral and Representative Reform, Joseph Medill of Chicago being chairman. The fact that this committee included some of the best known and ablest men in the assembly shows how important the convention considered the need of representative reform. The people at large, however, judging from the small number of petitions sent in to the committee, took but little interest in the subject. A few petitions proposing various plans of proportional representation were received, and at least one remonstrance against the adoption of any such innovation was presented.³

On February 10, 1870, the committee made a report embodied in five sections. The first provides for the ratio of senatorial representation; the second, that three times the number required for a senatorial ratio should constitute a senatorial

¹ See O. M. Dickerson, "The Constitution of 1862," *University of Illinois Studies*, Vol. 1, No. 9.

² *Debates and Proceedings, Constitutional Convention*, Vol. 1, 75.

³ *Ibid.*, 703.

district, each of which should choose three senators. Similiar provisions are made for representatives and representative districts. Sections three and four are "floater" clauses, providing that in case any district should have a fraction of population above the ratio so large that being multiplied by the number of regular sessions of the legislature in a decade the result should be equal to one or more ratios, that district should elect an extra representative or senator in those years in which the fraction so multiplied would produce a whole ratio.

The fifth section states that "In all elections of Senators and Representatives each qualified voter shall be entitled to as many votes as there are Senators or Representatives to be elected by the same constituency and may distribute them (or equal fractions thereof), equally or unequally among the candidates or concentrate them upon one, at his option; and the candidate highest in votes shall be declared elected." ⁴

The committee's recommendations were taken up in the convention on May 6th and the chairman then offered a substitute for the previous report. This substitute is much shorter than the original provision and consists of but three sections. The first provides that the apportionment for the Senate shall be made every ten years, beginning with 1871; the second, that the House of Representatives shall consist of three times the number of the members of the Senate, and that three Representatives shall be elected in each senatorial district.

Section three contains the cumulative voting provision and is as follows: "In all elections of Representatives aforesaid each qualified voter may cast as many votes for one candidate as there are Representatives to be elected, or may distribute the same, or equal parts thereof, among the candidates as he may see fit; and the candidate highest in votes shall be declared elected." ⁵

The report also recommended that these sections be submitted to the people as a distinct proposition, separate from the main body of the constitution, for their rejection or approval.

It will be seen from the above that cumulative voting was to be restricted to election of members of the lower house of the

⁴ *Debates and Proceedings, Constitutional Convention*, Vol. 1, 561.

⁵ *Ibid.*, Vol. 2, 1726

legislature instead of applying to both houses as in the original report. Also the "floater" idea was entirely abandoned.

The argument accompanying the report is a summary of the theories of the times regarding minority representation. The first part is devoted to a review of the general theory of the subject, pointing out the injustice and inequalities of the usual majority rule and showing how unrepresentative most deliberative bodies really are. An argument is then presented for the particular system recommended. It is asserted that obviously single member districts could give no opportunity for anything but majority rule, while two member districts might easily afford the minority undue power, hence the smallest district that would make minority representation possible is a three-member one. The districts should be as small as possible consistent with the ends sought, so as to make the members representative of localities and also do as little violence as possible to existing customs.

The argument which applies especially to local conditions and at the time the most effective one in the entire report, is that referring to sectional representation. It is stated that since 1854, with few exceptions, all the senators and representatives in the northern half of Illinois had been of one political party, while the legislators from the other half of the state, with equally few exceptions, had been of the opposing party. In round numbers, 100,000 Republicans living south of the state capital had been practically disfranchised and almost as many Democrats in the northern districts had suffered from the same discrimination. It is pointed out that if alternate districts throughout the state were Republican and Democratic, conditions would not be so bad as where an entire section was wholly under the domination of one or the other party, but such was distinctly not the case. An examination of statistics showed also that in the previous legislature a minority of electors had elected a majority of representatives in that body.

The freedom and power of the voter is also emphasized in the report. Under the ordinary election method, when more than one official is to be chosen for an office, if a voter objects to any one candidate, and refuses to vote for him, he simply loses a portion of his privilege. Under the cumulative method,

or "free ballot," as it was called, he may transfer his entire vote to other candidates and hence lose nothing. The argument concludes with a glowing account of the benefits which would result from the proposed reform. "The adoption of this great reform would do much towards abating the baneful spirit of partisan animosity and removing the temptations and opportunities which now exist for the corrupt use of money at elections. It will also tend powerfully to relieve the voter from the despotism of party caucuses, and at the same time constrain party leaders to exercise more care in selecting candidates for law-makers. There is nothing which will more effectually put an end to packing conventions than arming the voter with the three-shooter or triple ballot, whereby he may fire 'plumpers' for the candidate of his choice and against those of his aversion. It will increase the usefulness of the legislature by improving the membership. It will enable the virtuous citizens to elect the ablest and purest men in their midst and secure to the legislative councils a large measure of popular confidence and respect."⁶

After briefly considering the report, the convention, by a large majority, adopted all its sections, but as it was distinctly understood that this was simply referring the question to the people the vote did not necessarily reflect the sentiment of the convention, nor was there any debate on the subject which would indicate the individual opinions of the members. At the popular election the people, by 99,022 affirmative and 70,080 negative votes, adopted the scheme. The advocates of the measure rejoiced that Illinois was thus the first state to inaugurate this democratic and beneficent reform in the choice and construction of the legislature, and was thus to stand as the pioneer in a movement which they thought would strengthen and purify our political system and which would eventually be universally applied. Across the Atlantic the "London Times," in its issue of January 13, 1870, in discussing the subject, said: "And in Illinois, and what Illinois thinks today the Union will think tomorrow, the discussion is passing from theory to practical approval."

⁶ *Debates and Proceedings, Constitutional Convention*, Vol. 1, 563.

CHAPTER III

THE DEGREE OF MINORITY REPRESENTATION SECURED BY THE CUMULATIVE SYSTEM

In the preceding chapter the conditions prevailing at the time of the adoption of the cumulative system of voting in Illinois and the advantages which the supporters of the measure promised, have been described. It is now proposed to consider the actual results of nearly fifty years' practical test of the plan and to ascertain, as far as possible, to what extent the method has justified the expectations of its advocates.

A question that logically arises at once is, does the cumulative voting system always give in each district a minority party representation? The answer to this question, with a few rare exceptions which will be noted later, can be given definitely and decisively in the affirmative. In every senatorial district in the state, with the few exceptions mentioned, at least two parties and occasionally three have been represented in the lower House of the Legislature. The time-honored and usual practice is for the majority party to have two representatives and the minority one, with occasionally a third party candidate defeating one of either the two principal party nominees. Although there have been biennial elections in each of the fifty-one districts since 1872 under the present constitution, in but six instances have all three representatives been the regular nominees of one party.¹ In several other instances the Republicans have had nominally three members but in these cases one or two of the representatives ran on independent tickets as Independent Republicans,

¹ These instances are: District No. 38 in the 36th General Assembly (1888-1890) when the Democrats had three representatives. Districts Nos. 5 and 10 in the 40th Assembly (1896-98) where there were three Republicans in both cases. District No. 27 in the 47th Assembly (1910-12) when the Democrats had three representatives. Districts Nos. 10 and 14 in the 51st Assembly (1918-20) when there were three Republicans elected in each case.

and were not regular nominees of the party.² This was especially true of the elections in 1874 for the Twenty-ninth Assembly, when in many districts the Democrats nominated no candidates and helped elect the independents.

The figures show that the cumulative method has in practically all cases given a minority party representation, but this does not necessarily imply that it gives exact proportional representation. The originators of the scheme did not assert that it would secure proportional representation to any degree of exactness but contented themselves with calling the plan minority representation. It is a mistake to suppose that the system is based primarily on the proportional idea, yet so far as the two dominant parties are concerned it has led to a proportional representation approaching mathematical exactness, as is indicated by Table I.

Absolute conclusions cannot be drawn from this table for any one year because of the fact that but half of the Senate is renewed at any one election. Hence, there are at every session 50 per cent of "holdovers" in the Senate, who may or may not represent the present majority party in their respective districts, and this may operate to prevent the Senate from being as representative as the House. As a whole the table indicates how nearly each House has come to representing the prevailing

² The following table indicates districts and time of such occurrences:
1874 — 29th General Assembly, District 15, 1 regular and 2 Independent Republicans.

1874 — 29th General Assembly, District 20, 2 regular and 1 Independent Republican.

1874 — 29th General Assembly, District 23, 2 regular and 1 Independent Republican.

1874 — 29th General Assembly, District 28, 2 regular and 1 Independent Republican.

1874 — 29th General Assembly, District 29, 2 regular and 1 Independent Republican.

1874 — 29th General Assembly, District 30, 2 regular and 1 Independent Republican.

1874 — 29th General Assembly, District 30, 2 regular and 1 Independent Republicans.

1874 — 29th General Assembly, District 46, 1 regular and 2 Independent Republicans.

1886 — 35th General Assembly, District 16, 2 regular and 1 Independent Republican.

TABLE I
COMPARISON OF BIENNIAL VOTE AND REPRESENTATION OF THE REPUBLICAN AND DEMOCRATIC PARTIES IN THE LEGISLATURE

Year	State Treasurer		Number of State Senators		Number of State Representatives		Ratio of Democratic to Republican Votes Expressed in Per Cent	Ratio of Democratic to Republican Members expressed in Per Cent		Legislators not Members of Republican or Democratic Parties	
	Republican Vote	Democratic Vote	Republicans	Democrats	Number of State Representatives			Senate	House	Senate	House
					Republicans	Democrats					
1872	242,686	191,806	34	17	86	67	79	50	77	..	..
1874	162,974	128,169	24	18	69	42	79	75	61	9	41
1876	277,664	254,751	21	22	79	67	92	105	84	8	7
1878	206,458	170,085	26	24	80	60	82	92	75	1	13
1880	317,732	276,670	32	18	82	71	87	56	86	1	..
1882	250,722	244,580	31	20	77	75	97	65	97	..	..
1884	338,171	313,400	26	25	77	75	92	96	97	..	..
1886	276,680	240,664	32	18	80	64	86	56	80	1	9
1888	369,881	348,834	35	15	79	73	94	43	92	1	1
1890	321,991	331,929	27	24	73	77	103	89	105	..	..
1892	396,309	426,817	22	29	75	78	107	132	104	..	..
1894	455,788	321,551	34	17	92	61	71	31	66	..	..
1896	589,714	473,050	38	12	88	63	80	31	71	1	2
1898	448,940	405,490	34	16	81	71	90	47	88	1	1
1900	585,002	508,720	32	19	81	72	88	59	89	..	..
1902	450,695	360,925	36	15	88	62	80	42	70	..	..
1904	610,300	353,232	42	9	91	57	58	21	62	..	..
1906	417,544	271,984	44	7	89	61	65	16	69	..	..
1908	619,698	449,978	38	13	89	64	73	34	71	..	..
1910	436,484	376,046	35	16	82	68	86	46	83	..	..
1912	321,577	402,292	25	24	52	72	125	96	138	2	29
1914	418,336	374,554	25	25	79	70	88	100	89	1	4
1916	678,404	566,919	33	18	85	67	84	54	78	..	..
1918	506,038	364,235	34	17	90	63	72	55	70	..	..

political opinion through a series of years, and a close correspondence will be found between the ratios indicated in columns 5 and 7 of the table. It will be observed that, except in two instances (1874 and 1884) when the two parties approximated proportional representation in both houses, the lower house comes much nearer indicating the relative strength of the two dominant parties than does the Senate. The variation in the House in 1874, when the minority Democratic party had considerably less members than it was proportionately entitled to, was due to the Independents winning 41 seats ³ at the expense of the Democrats. The variation in 1912 when the Democrats, then the plurality party, had more than their proportional share, was due to the Progressives splitting the Republican vote to the advantage of the Democrats. The variation in 1902 can only be explained by unusual local conditions, there being no less than fifteen ⁴ so-called parties represented by candidates at the general election. This alignment apparently operated at the expense of the Democrats. In all other years the percentage of votes cast corresponds fairly closely to the percentage of members of the party in the House.

The Senate shows a wide variation. In 1904 and 1906, the minority party had less than half the number of senators it was entitled to as compared with the majority party, while all the years (1874 and 1884 excepted) show a large discrepancy, the majority, as is to be expected, usually though not always having more members than its just proportion. In this connection it should be remembered that senators and representatives are elected from the same districts.

It is mathematically demonstrable that any party which is able to poll more than one-fourth of the votes in a district may, by "plumping", that is, casting all three votes for one man, elect a representative. That a comparatively small vote can thus elect a member presumably would operate for the benefit of third parties, but as a matter of fact the minor parties have had but few representatives in the House. The total vote which

³ See Moses, *Illinois: Historical and Statistical*, Vol. 2, 1189.

⁴ Republican, Democratic, Prohibition, Socialist, Socialist Labor, Peoples, Single Tax, Independent, Independent Republican, Independent Democrat, Independent Labor, Public Ownership, Union Labor, Progressive Labor and Progressive.

they have cast in the state as a whole has been quite large, yet it seldom happens that any minor party has more votes than the weaker of the two large parties in any one district. However, with the exception of 1872, 1892, 1894, 1900, 1908, and 1918, third party men have been in every legislature.

Table 1 shows to what extent the cumulative vote affords proportional representation when only the two dominant parties are considered. Table II gives the total legislative vote, the vote by parties, and the actual and proportional representation of each party in the House of Representatives from 1910 to 1918.

The columns indicating the number elected (3) and the mathematical proportion to which the parties would have been entitled (4), show that the larger parties gained at the expense of the smaller ones, although in 1912 the Progressive party obtained all the seats to which it would have been entitled upon an exact proportional basis.

Opponents of the cumulative method have called attention to the large number of votes cast in the state by the minor parties which elect few or no candidates. In the election of 1914, the Progressive and Socialist parties and Independents had in the aggregate 476,875 votes (not voters), which was about seventeen per cent of the total vote, yet all these combined elected but four members of the House. This simply establishes what has already been asserted, that the cumulative voting plan does not claim to be primarily a proportional representation scheme, but a minority party representation device, and the tables and figures cited above indicate how far the system gives a minority party representation and to what extent it gives, or fails to give, proportional representation to all parties.

While it is true that minor parties receive no great benefit from the scheme, the defect may not be really so great in practice as it appears. The principle of government by parties is firmly fixed in American politics, the few third party members of legislative bodies are not taken into the councils of either of the dominant parties, and, except in the unusual cases where they happen to hold the balance of power, they are given but little consideration and have but little opportunity to exert any influence. Moreover, where a large number of parties are represented, a legislative body almost inevitably degenerates

TABLE II
COMPARISON OF POPULAR VOTE AND PARTY REPRESENTATION, 1910-1918¹

Party	1910				1912				1914				1916				1918			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Vote for Representative	Per Cent of Total Vote	Number Elected	Proportional Number	Vote for Representative	Per Cent of Total Vote	Number Elected	Proportional Number	Vote for Representative	Per Cent of Total Vote	Number Elected	Proportional Number	Vote for Representative	Per Cent of Total Vote	Number Elected	Proportional Number	Vote for Representative	Per Cent of Total Vote	Number Elected	Proportional Number
Republican	1,225,672	47	82	72	1,085,436	34	52	52	1,174,559	42	79	64	1,941,579	52	85	80	1,446,311	55	90	83
Democratic	1,109,946	42	68	64	1,255,561	39	72	60	1,132,460	41	70	63	1,576,251	43	67	64	1,090,506	41	63	63
Progressive					548,955	17	26	26	343,390	12	2	18	13,734							
Socialistic	133,420	5		8	249,634	8	3	12	127,766	5	2	8	146,910	4	1	7	87,481	3		5
Independent	57,713	2	2	3					5,719				22,605	1		2	10,991	.4		
Prohibition	75,820	4	1	6	39,836	2		3												
Ind. Repub.	6,293																			
Union Labor	5,281																			
Total Votes	2,614,145	100	153	153	3,192,813	100	153	153	2,783,894	100	153	153	3,701,079	100	153	153	2,635,300	100	153	153

¹ A small number of scattering votes are included in the totals which do not appear in the party votes.

into a mere debating society and hence legislates with difficulty. This is well illustrated by the Twenty-ninth assembly, when in the Senate there were 24 Republicans, 19 Democrats and 9 Independents, Liberals, etc. In the House, the Republicans had 69 members, the Democrats 42 and there were 41 Independents and others difficult to classify.⁵ The proceedings of the assembly were marked by disgraceful scenes and personal combats, and finally it adjourned with but a few results to show for its labors. Theoretically it may be very proper and just for each faction to be represented in exact proportion to its voting strength, but experience scarcely bears out the practical expediency of such a theory.

Since at legislative elections each voter is allowed "to multiply himself three times" at the polls, the 476,875 votes cast in the state securing but four legislators in 1914, represent approximately 158,958 voters. In this connection it is only necessary to point out that the same year in the state elections, 625,148 votes were cast for United States Senator and 522,999 votes for Treasurer, which elected no official and were entirely lost or wasted.

In Cook County in 1918, sixteen out of nineteen districts elected Senators and 128,932 votes failed to secure representation. Had elections been held in all districts and the ratio of ineffective votes remained the same for the three districts as in the other sixteen there would have been about 153,106 votes lost in the county as compared with about 16,271 adherents of minor parties who cast 48,813 votes in Cook County and whose votes were lost in the election to the House of Representatives.

Although the cumulative method does not secure exact proportional representation for all parties, it has at least the virtue of approximating it much more closely than does the ordinary majority system and with far less waste of votes than usually prevails.

It is evident from a consideration of Table I, page 30, that where the system of minority representation prevails, gerrymandering is largely shorn of its viciousness. When some mi-

⁵ Figures taken from Moses, *Illinois: Historical and Statistical*, 829. These figures do not entirely harmonize with newspaper accounts, due probably to the difficulty of classifying some members.

nority party is practically certain of securing at least one member out of three in each district, the gross inequalities and injustice that frequently prevail as a result of the gerrymander must be greatly reduced. In Massachusetts in 1892 it required 16,560 Democrats to elect one State Senator and only 6,182 Republicans to accomplish the same result. In other words, one Republican equaled two and two-thirds Democrats. In 1894 Democratic members of the lower house of the General Assembly of New York received an average of 21,783 votes and the Republicans 6,341. In Michigan the same year, using the vote for Governor as a basis, the Republicans with 237,215 votes elected 99 members of the lower house of the legislature while the Democrats with 130,823 votes secured but one. In Ohio in 1892 one Republican vote for legislators was equal to nearly two and one-fourth Democratic votes.⁶ In Illinois in 1912, the Democrats on an average elected a member of Congress for every 23,059 votes cast, while it required 72,988 Republican votes to elect a member. In the Missouri congressional elections in 1914 a Democratic vote was five times as effective in electing a member as was a Republican vote. In the same year in Iowa, 159,232 Democratic votes elected one Congressman while 207,472 Republican votes elected ten members. In Illinois in the elections of 1916, each Democratic Congressman received on an average 92,037 votes, while the average for the successful Republican candidates was 33,158. In Illinois in 1918 it required 14,238 Republican and 23,285⁷ Democratic votes to elect a State Senator, while for the House, with the cumulative method, in the same year 16,070 Republicans and 17,309 Democratic votes elected a Representative. The last apportionment was made in 1901 when the Republicans had a majority in both houses, and they were probably as keenly alive to the party advantage as any body of legislators. While the House vote shows some variation and can scarcely be regarded as ideal, nevertheless it has none of those glaring inequalities so frequently prevalent

⁶ Figures for Mass., N. Y., Michigan, Ohio, compiled from statistics given in Commons "Proportional Representation."

⁷ In 1918 out of 26 districts, 18 Republican Senators were elected by a vote of 255,299 and 8 Democrats by a vote of 186,284. The Socialists polled 27,560 votes for the Senate.

as the result of the inherent injustice of the majority system combined with the consummation of political art in juggling district boundary lines.

The constitution provides that "In all elections of Representatives aforesaid, each qualified voter may cast as many votes for one candidate as there are Representatives to be elected, or may distribute the same, or equal parts thereof, among the candidates as he shall see fit."⁸ Leaving the voter really free, without the restrictions of party discipline, to cast these three votes as he sees fit might easily lead to an enormous waste of votes by "plumping" on one candidate, thus giving him far more votes than necessary to elect, while a minority by judiciously distributing its votes might elect two candidates and secure more than its just share of power.

It is frequently asserted by the opponents of the cumulative method that by means of it minority parties do often secure undue representation. Whether this assertion is correct or not depends very largely upon one's view regarding the rights of minorities. If, as asserted by some violent partisans, the minority has few or no rights that must be respected by the majority, and as the majority party alone is responsible for policies or legislation, this party should have a free hand, then the cumulative vote does give a minority party excessive representation. If, however, the more sane and just assumption is made that a minority has certain rights which a majority is ethically bound to respect, and that the minority is entitled to about the same ratio of representation in the legislative body as it bears to the whole body politic, there is still some question as to whether the minority does not secure more representation than it justly deserves. The possibility of this may be illustrated mathematically by the following hypothetical case. The majority of a district casts 18,000 votes and the minority 16,000. A and B are majority and C and D are minority candidates. A, for some reason, attracts more than his share of votes and receives 11,000, leaving 7,000 for B. The minority candidates run more evenly and each receives 8,000 votes. The result manifestly is that a party, while casting an actual minority of the total vote, has elected two out of three members. This

⁸ Article IV, Sec. 7.

is an undesirable condition, but one which actually occurs so seldom that it does not constitute a very formidable objection. Such inequalities are found occasionally but almost invariably in districts where the two parties are of nearly equal voting strength. In some cases the defect has been the result of "plumping", but frequently such miscarriages occur in districts so close that a few votes either way would change the result of the election.

Table III indicates the districts in which such mishaps have occurred and the vote in each case.

It will be seen that there have been forty-seven cases in which the minority clearly had an undue share of representation. In six cases (Nos. 3, 13, 15, 22, 23, 26) this was caused by over-conservatism of the party managers or by inaccurate estimation by the dominant party of its voting strength, as shown by its failure to nominate more than one candidate. In eight instances (Nos. 1, 8, 9, 11, 14, 20, 28, 42) the contest was so close, and such a small number of votes would have turned the scale, that a party which thus lost a representative could have but little ground for complaint of injustice. In three instances (Nos. 4, 34 and 47) the majority failed to elect its quota because it had three candidates in the field. In ten instances, (Nos. 31, 32, 33, 35, 36, 37, 38, 40, 43, 46), a party failed to elect its due quota because of the fact that one or more of the opposition parties nominated but one candidate and concentrated on him, while the losing party divided its vote between two candidates and consequently failed to secure the representation to which the number of its voters entitled it. In the remaining twenty cases there is evidence of "plumping" to a greater or less extent within the party. This was sometimes caused by the apparent great personal popularity of one candidate, sometimes because one was backed by an aggressive "machine," but more frequently where two or more counties are joined to make up a district one county "knifed" a candidate from another and "plumped" for the "home" man, thus getting local revenge at the expense of the party and of fair representation.

A study of Table III shows the years 1910, 1912 and 1914 to have the greatest number of districts in which a minority elected a majority of the representatives. This may be explain-

TABLE III
TABLE OF DISTRICTS IN WHICH A MINORITY HAS ELECTED A MAJORITY OF REPRESENTATIVES

Year	Dist.	Republican Vote	Total	Democratic Vote	Progressive Vote	Total
1	1872	*6,334	13,233	*6,984	6,268	13,252
2	26	*5,591	11,178	*6,377	5,314	11,691
3	45	*14,629	14,629	*6,170	*7,159	13,329
4	1874	3,405	†11,303	*4,188	*4,038	8,226
5	25	*6,838	11,322	*5,302	*5,101	10,403
6	1876	*4,338	9,755	4,255	*7,527	11,782
7	14	*6,417	16,708	8,047	*9,526	17,513
8	1878	*8,122	16,705	*5,549	4,433	9,982
9	41	*5,516	9,967	*7,443	7,142	14,585
10	1880	*7,349	14,558	*5,236	3,130	8,366
11	1882	*3,440	6,668	*9,325	8,194	17,519
12	1884	*8,784	17,509	*7,142	*7,687	14,489
13	15	*9,953	16,950	*61,637		61,637
14	1882	*25,957	51,685	*11,420	10,747	22,167
15	32	*11,066	22,156	*8,744	*9,635	18,379
16	1894	*19,980	19,980	*13,527	*13,422	26,749
17	43	13,329	27,349	*9,793	*8,699	19,492
18	45	*11,140	20,768	*15,224	*15,272	30,496
19	1896	15,175	30,778	*15,685	14,909	30,594
20	6	*15,091	30,083	*10,697	9,685	20,382
21	1898	*10,264	20,344	*12,776	*13,131	25,087
22	49	*15,136	27,362	*7,483	*6,610	14,093
23	1900	*16,265	16,265	*12,682	*12,429	25,111
24	17	*28,235	28,235	*9,766	*13,724	23,490
25	1906	*9,931	19,896	*17,927	16,415	34,342
26	1908	*16,969	34,136	*16,328		16,328
27	2	*7,396	15,483	*14,611	11,663	26,274
28	32	*12,679	22,990	*11,705	10,937	22,642
29	34	*11,632	22,635	*14,083	9,879	23,962
30	39	*10,687	23,416	*12,065	*11,060	23,125
31	42	10,960	23,379			

31	1912	3	9,059	9,498	18,557	*11,080	*9,565	20,645	*11,735	11,735
32		11	13,900	13,051	26,951	*18,497	*14,388	32,885	*21,767	21,767
33		12	9,546	9,103	18,649	*12,938	*10,020	22,958	*11,899	11,899
34		13	10,022	*10,257	20,279	9,362	8,937	†27,332	*20,260	
35		16	9,217	8,592	17,809	*12,672	*10,740	23,412	*13,521	
36		23	*11,263	9,172	20,435	10,925	9,997	20,922	*17,396	
37		29	4,132	3,786	7,918	*7,133	*6,839	13,972	*6,674	
38		32	9,736	9,683	19,419	*12,637	*12,932	25,589	*12,913	
39		39	*10,798	*11,774	22,572	*15,708	10,591	26,299		
40		41	*14,025	*14,859	28,884	11,515	11,833	23,348	*18,634	
41		50	*16,380	*17,601	33,981	*17,893	16,349	34,242		
42		12	*12,595	7,671	20,266	*10,978	*9,268	20,246		
43	1914	14	*14,679	*11,939	26,618	*10,230		10,230	8,954	16,166
44		28	*14,543	*13,485	28,028	*16,261	12,876	29,137		
45		39	*11,515	*11,225	22,740	*18,761	6,710	25,471		
46		41	*13,506	*12,321	25,827	*16,968		16,968	12,302	22,310
47	1916	21	*14,245	*13,302	27,547	*15,687	11,108	†36,384	10,008	

* Indicates the successful candidate in each case.

† Vote for third candidate included in total. 1874, Dist. 13, Republican, 3,881 votes. 1912, Dist. 13, Democratic, 9,033 votes. 1916, Dist. 21, Democratic, 9,589 votes.

ed in 1910 because of the dissatisfaction of the people with political conditions resulting in a vigorous campaign waged against corrupt legislative methods. Bribery and corruption in Illinois had become a matter of national disgrace. Another fact, which, combined with the cumulative vote, made unequal representation possible in 1910 was the very close vote of the leading parties in the 34th and 42nd districts. Furthermore, the insurgent Republican movement did much to disrupt Republican strength.⁹ In 1912 the miscarriages which occurred in eleven districts were due to the coming into existence of a strong third party, which developed unforeseen strength and upset the calculations of the committees which determined the number of nominees to be presented. In nine of these districts Progressive candidates were elected and in two Socialists gained seats. In 1914 the discrepancy was mainly due to the Progressive vote, an aftermath of the great campaign waged in 1912. The years 1916 and 1918 are again normal, there being only one instance of excessive representation in 1916 and none in 1918.

From the viewpoint of party representation in the legislature, these cases offset each other to a considerable extent. Thus in 1912, with 11 cases of over-representation by a minority, one major party lost five seats and gained the same number; the other major party lost six seats and gained three, a net loss of three, which were gained by two minor parties.

Table III covers a period of 24 elections in 51 districts, the minority securing more than its due share of representatives in about four per cent of the total number of elections. Whether due to "plumping" or other causes the proportion of "mishaps" is small and the system has so seldom been subverted in such a manner as to defeat the will of the majority that there can be no serious accusation against the cumulative method in this regard.

It has been asserted that because of the peculiar method of electing representatives, the party carrying the state elections may fail to secure the majority in the legislature to which it is entitled. The example cited is that of the year 1890, when the Democrats, for the first time in years, secured the small number of state officers elected that fall. In the Senate the Republicans

⁹ For parties and votes cast, see Table II.

had 27 and the Democrats 24 members. In the House there were 73 Republicans, 77 Democrats and 3 Farmers' Alliance members, the latter thus holding the balance of power on joint ballot. The above figures show that so far as the House was concerned the Democrats did have a small majority, and the failure to secure a majority on joint ballot was due to the non-representative character of the Senate, since of the 26 Senators who held over 16 were Republicans. A more recent instance in which no party had a working majority in the House occurred in 1912 when the Democrats elected 72 members, the Republicans 52, the Progressives 26 and the Socialists 3. In this instance also there can be no complaint of injustice against the cumulative vote since the Democrats cast a plurality of votes in the state in 1912 and also had a plurality of members in the House.

Partisans are inclined to assert that great harm may be done the majority by a minority securing undue representation at certain critical times. This was most apparent when in former times a United States Senator was to be elected by the legislature and the classical example given is the senatorial election of 1877. In the elections of 1876 the Republicans cast for President 278,232 votes and the Democrats 258,601. In the legislature which assembled in 1877 as the result of the fall elections, there were in the Senate 21 Republicans, 22 Democrats and 8 Independents. In the House the Republicans counted 79, the Democrats 67 and 7 Independents, thus giving a small faction the balance of power on joint ballot. The Independents clung obstinately to their Senatorial candidate (Judge David Davis) and finally the Democratic vote was transferred to him, thus giving the required majority, and the Republicans failed to secure an office they claimed was justly theirs. Such an occurrence is simply an illustration of the occasional extraordinary influence of a small group holding the balance of power. This may and does happen under any system of election and is not a defect peculiar to the cumulative system. Indeed, in this case the Republicans had a majority in the House, elected by the cumulative method.

Another objection to minority representation is that in case of the death or resignation of a House member the majority party would elect the new member of that district regardless of

the politics of the ex-member. In exceptional cases, when the vote is close and party lines tightly drawn, this might give a party a majority to which it is not justly entitled and might be of considerable importance. In many legislatures in Illinois vacancies have been caused by death or resignation, yet no great injustice has ever been worked in filling these and the likelihood of such events causing party disaster is so remote as to be scarcely worthy of consideration.¹⁰

Still another objection is to be found in the fact that the House of Representatives elected under the cumulative system may be controlled by a different party from that which is in control of the executive department. This was the case in 1915-16. This situation may exist but it also occurs in other states where the cumulative system does not prevail; and is due to the election of members of the legislature in the middle of the governor's term.

¹⁰ What has actually happened has been exactly the reverse of the above. In 1885 on the death of a member of the House, Senator Logan by consummate political skill secured the election of a Republican member from a strongly Democratic district, and was as a result, elected to succeed himself as United States Senator.

CHAPTER IV

PRIMARY LEGISLATION AND ITS EFFECT.

Prior to the campaign of 1904 the only legislation for the control of party nominations in Illinois had been aimed at corrupt practices in party caucuses and conventions.¹ With the new century came an insistent demand for reform in the method of nominating candidates for public office. This demand for reform was taken up by the press of the state, and resulted in the submission of a Public Policy question to the people at the November election of 1904. This question was worded as follows: "Shall the State Legislature amend the Primary Election Law so as to provide for party primaries at which the voter will vote under the Australian ballot directly for the candidate whom he wishes nominated by his party."

Upon this question the affirmative vote was 590,976 and the negative vote 78,446, the question obtaining a distinct majority of the total vote cast at the election.

In his message of January 4, 1905, the retiring governor recommended that the General Assembly enact a direct primary law. The incoming governor in his inaugural address on January 9, 1905, advocated primary legislation. The legislature responded to public sentiment as expressed at the polls and to the executive recommendations and the first general primary law was enacted on May 18, 1905.² Before there was an opportunity to put this law into effect it was declared invalid by the Supreme Court.³ It was held in this case that the whole law was objectionable because it was local and special legislation since it applied different rules to Cook County from those adopted for the remainder of the state. Certain sections of the law were also unconstitutional on other grounds. The court in this case

¹ See Merriam, C. E., *Primary Elections*, 1908, 298-302; and *Illinois Laws*, 1885, 187; 1889, 140; 1898, 11; 1899, 211; 1901, 172, 192; 1903, 176.

² *Illinois Laws*, 1905, 211.

³ *People v. Board of Election Commissioners*, 211 Ill., 9.

laid down the general rule that primaries were elections as that term is used in the constitution and consequently all the constitutional provisions applying to general elections were also applicable to primaries. "The right to choose candidates for public offices, whose names will be placed on the official ballot, is as valuable as the right to vote for them after they are chosen and it is of precisely the same nature." The court later adhered to this rule throughout the litigation over the primary law, though the application of the rule does not always seem clear.

Immediately after the judicial decision declaring invalid the act of 1905, the General Assembly was convened in special session for the purpose of passing another law. The second general Primary Election Law was approved May 23, 1906.⁴ Under this act a state-wide primary election was held in August and the candidates nominated in this primary were voted upon in the November election of 1906.

This primary law met the same fate as its predecessor and was declared unconstitutional by the Supreme Court in October, 1907.⁵ This declaration of unconstitutionality, however, as indicated above, did not come until after the act had actually been applied to nominations for the regular election of November, 1906.

One of the grounds for holding invalid the primary act of 1906 directly relates to the subject of cumulative voting. The law provided that delegates to a senatorial convention should be instructed to vote on the first ballot for the candidate for representative who received the highest popular vote at the primary. One candidate was thus in effect entitled to nomination because of the popular vote if his plurality was properly distributed so that he received the instructed vote of a majority of the delegates to the senatorial convention. If he failed to receive a majority then the instructions were discharged and the delegates free to make the selection. The popular vote thus applied but to one of the three candidates for representative, that is, to the candidate for representative receiving the highest popular vote at the primary.

⁴ *Illinois Laws*, 1906, Special Session, 436.

⁵ *Rouse v. Thompson*, 228 Ill., 522.

The court applied its previous rule regarding the constitutional status of primaries and held that since the constitution provided that a voter had the right to vote for one, two or three candidates for representative in the General Assembly at the general election and the primary law provided that the voter could vote for but one candidate that portion of the statute was accordingly unconstitutional. In the opinion it was stated that: "Any primary election law to be valid, which provides for the nomination of candidates for representatives in the General Assembly must give the voter the right to participate in the selection of all the candidates of his party for representatives in the General Assembly which are to be nominated by his party." Also in this opinion the court pointed out rather definitely at least one possible method by which a primary law could be applied to the selection of candidates for the office of representative so as to conform to constitutional provisions. The method proposed by the court however did not seem to appeal to the legislature.

A third primary law was enacted in January, 1908,⁶ and was declared unconstitutional in June, 1909.⁷ As happened under the primary act of 1906, between the time of the passing of the law of 1908 and the decision of the Supreme Court holding it unconstitutional, a primary election was held under the statute, and nominees thus chosen were voted upon at the general election held in November, 1908.

The decision holding the primary law of 1908 invalid was based on several grounds, one of which relates to the subject of cumulative voting. The court held quite closely to its rule, promulgated in the first primary case and re-affirmed in the second decision, that primaries are elections as that term is used in the constitution and the decision is primarily an application of this rule as the court interpreted it. It was held that all provisions of the constitution, including those regarding cumulative voting for members of the House of Representatives, must apply to the primary elections as they do to general elections. Since the statute failed to meet all these requirements it was declared to be unconstitutional. Incidentally it might

⁶ *Illinois Laws*, Adjourned Session, 1908, 48.

⁷ *People v. Strassheim*, 240 Ill., 279.

be noted that this statute repeated in substance some of the provisions of the previous law which had been declared void in the preceding case.

The General Assembly in enacting these primary laws had apparently proceeded upon the assumption that a primary election is not an election as that term is used in the constitution. It was also contended that the cumulative vote was intended to be applied to contests between parties rather than to intra-party contests and that the cumulative vote was introduced into the constitution of 1870 primarily for the purpose of equalizing representation between the parties. In regard to the difference of opinion concerning the definition of the word "election" as used in the constitution, it may be noted that the judicial decisions in some states agree with the apparent assumptions of the legislature while in others they agree with the ruling of the supreme court.

The fourth primary law of Illinois was enacted in March, 1910, and was sustained by the Supreme Court in December of the same year.⁸

The primary legislation of 1910 was embodied in two laws, one relating to the selection of officers in general, and the other confined to the nomination of members of the Senate and the House of Representatives and the election of senatorial committeemen. The law relating to legislative nominations provides that the senatorial committee in each district shall determine the number of candidates which its party shall nominate. The act also expressly provides for cumulative voting in the nomination of party candidates for the House of Representatives, specifying that "in all primaries for the nomination of candidates for representatives in the General Assembly, each qualified primary elector may cast three votes for one candidate, or may distribute the same or any parts thereof among two candidates or three candidates as he shall see fit."

The primary law of 1910 provides that any citizen legally qualified to fill the office of representative may become a candidate in the party primary and have his name printed upon the ballot, by filing a petition signed by one-half of one per cent

⁸ *People v. Deneen*, 247 Ill., 289.

of the qualified primary electors of the party in his district.⁹ Because of the ease with which one may become a candidate in the party primary, there has been no dearth of such candidates. In 1910 there were 722 candidates;¹⁰ in 1912, 604; in 1914, 693; in 1916, 592; and in 1918, 456. These figures are for the candidates of all parties, and in connection with them it should be borne in mind that the number of places to be filled at each regular election is 153.

The great number of candidates in 1910 was probably due not only to the tendency to experiment with a new plan, but also to the high degree of public interest because of the scandal incident to the election of United States Senator at the session of 1909. The large number of candidates in 1914 was due to the fact that the Progressive party first appeared in the primary of that year, and had in the 1912 general election obtained a fairly large number of seats in the General Assembly, although in that election the Progressive party nominees were not selected by popular vote at the primary. No less than 126 Progressive candidates appeared in 1914.

Under the primary election law of 1910 the fight for office is now divided into two contests, and the number of candidates in the first or primary contest is an index of the freedom of choice presented to the voters. A table is therefore given covering a period of five elections under the law of 1910, showing by districts the number of candidates and nominees of the important parties at these elections.

In twenty-two instances out of 561 the voter had no choice, there being but one candidate presented for nomination. Nine of these twenty-two cases were those of candidates of the Progressive party in 1914, when that party was concentrating upon comparatively few candidates. In 1910, 1912, and 1914 the greatest number of candidates appeared in the Democratic primaries, while in 1916 and 1918 the greatest number appeared in the Republican primaries.

⁹ The statute also contemplates independent candidates appearing on the regular election ticket by petition.

¹⁰ Unofficial figures. The statistics given in Table V include four parties only for 1910. In addition to the candidates of these four parties there were a considerable number of independent candidates.

TABLE IV
NUMBER OF CANDIDATES AT PRIMARIES NUMBER OF NOMINEES AT GENERAL ELECTION

District	*1910	1912	1914	1916	1918	1910	1912	1914	1916	1918	1910	1912	1914	1916	1918	Rep.	Dem.
1	2	3	9	6	5	2	3	3	2	2	2	1	1	3	3	Rep.	Dem.
2	4	6	7	5	8	3	3	3	4	8	2	1	1	2	2	Rep.	Dem.
3	4	6	7	5	9	3	3	3	4	9	2	1	1	2	2	Rep.	Dem.
4	7	9	15	6	9	3	3	3	4	9	2	1	1	2	2	Rep.	Dem.
5	4	4	6	10	7	3	3	3	4	7	2	1	1	2	2	Rep.	Dem.
6	4	6	8	6	6	3	3	3	4	6	2	1	1	2	2	Rep.	Dem.
7	4	9	5	10	6	3	3	3	4	6	2	1	1	2	2	Rep.	Dem.
8	4	5	4	5	4	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
9	5	5	5	5	4	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
10	4	5	3	5	4	3	3	3	4	4	2	1	1	2	2	Rep.	Dem.
11	4	7	6	10	8	3	3	3	4	8	2	1	1	2	2	Rep.	Dem.
12	5	6	4	8	7	3	3	3	4	7	2	1	1	2	2	Rep.	Dem.
13	6	6	5	9	6	3	3	3	4	6	2	1	1	2	2	Rep.	Dem.
14	6	6	5	9	4	3	3	3	4	4	2	1	1	2	2	Rep.	Dem.
15	3	7	2	1	1	3	3	3	4	1	2	1	1	2	2	Rep.	Dem.
16	4	8	2	4	3	3	3	3	4	5	2	1	1	2	2	Rep.	Dem.
17	2	9	3	3	9	3	3	3	4	6	2	1	1	2	2	Rep.	Dem.
18	6	5	4	8	2	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
19	4	5	9	9	4	3	3	3	4	7	2	1	1	2	2	Rep.	Dem.
20	3	3	4	1	3	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
21	7	4	4	12	8	3	3	3	4	4	2	1	1	2	2	Rep.	Dem.
22	4	3	2	4	4	3	3	3	4	4	2	1	1	2	2	Rep.	Dem.
23	3	4	6	10	5	3	3	3	4	4	2	1	1	2	2	Rep.	Dem.
24	6	4	3	4	3	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
25	3	7	11	7	9	3	3	3	4	3	2	1	1	2	2	Rep.	Dem.
26	4	2	4	3	5	3	3	3	4	2	2	1	1	2	2	Rep.	Dem.
27	2	9	3	3	2	3	3	3	4	2	2	1	1	2	2	Rep.	Dem.

The average number of primary candidates of the two great parties over the period of five elections was four to the district. All the cases in which there were ten or more candidates to the district were within Cook County. In the fourth and nineteenth districts in 1914 there were 20 and 22 primary candidates respectively for the Democratic nominations, while the largest number entered in a Republican primary was 12 in the 21st and 31st districts in 1916.

The large number of contestants in party primaries in certain cases may be partly due to factional warfare within the party and to lack of strong party candidates. The party organization can still put up its own candidates and still does so, but the primary law has undoubtedly thrown open the doors to as many non-organization candidates as may be desired. Although candidates without an organization support may present themselves with great ease for the party nominations in the primary, it should, however, be borne in mind that party organization is effective here as well as in the general election, and that ordinarily the primary candidate with organization aid obtains the nomination.

As has already been mentioned, the primary act of 1910 provides for a senatorial committee of each party in every district. This committee is composed of three members for each district consisting of two counties or less; and of one member from each county in districts of three or more counties. In two-county districts the respective counties select one or two members according to the vote polled at the previous general election, and in one-county districts or districts wholly within a county, the members are elected at large.

The principal function of the senatorial committee of each party is to determine how many candidates of that party shall be nominated within the district. When the primary legislation was under consideration an attempt was made to allow the voters to decide for themselves whether each party should nominate one, two or three candidates for representative. It was decided, however, that this power should be given to the senatorial committee, and this decision was made largely because of the fact that it would have been extremely difficult to devise a system under which the voter could at the same time

express his view as to the number to be nominated by his party, and also indicate his preference among candidates the number of which had not then been determined.

The number of candidates to be nominated by a party must be decided by the senatorial committee at least thirty-three days prior to the primary election. The committee, of course, determines merely how many candidates are to be nominated. It can decide how many nominees the district is to have, but it cannot legally dictate what candidates are to be chosen by the voters. The members are elected by popular vote at the primary, and the voters have an opportunity to select non-organization committeemen though they may not take advantage of the opportunity. The senatorial committee has undoubtedly been an important part of the party machinery and in practice has, to a large extent, apparently been able to determine who the nominee or nominees shall be.

A study of Table IV will show that in the general elections since the primary law came into force there have been but ten instances in which one party has nominated more than two candidates, although the number of party nominees has been slightly greater than before the adoption of the primary law. The total number of nominees put forth from year to year by either of the two leading parties shows no great variation. The senatorial committee's ability to forecast party strength has on the whole proven good. In the five elections held since the primary law has been operative, in but twelve instances have party candidates failed in the general election because the senatorial committee permitted too many candidates to enter the final contest. Eight of these cases occurred in 1912, and were due to the fact that the Progressives, a new party, entered the field and it was impossible to forecast accurately its strength. It should also be stated that minor parties almost invariably limit their candidates at the primaries to one for each district, restricting their voters both in the primary and in the general election to but one candidate. This, however, was not true of the Progressive party in 1914.

Table V indicates the party vote cast at the last five primary elections. The meagerness of this vote confirms the general opinion with regard to primary elections, namely, that they do

not arouse the interest of the average voter. It is interesting to note that in 1916, 95 votes were sufficient to nominate thirteen candidates of the Progressive party.

The primary system has given a greater opportunity to those who desire to become candidates for party nominations, and has theoretically given to each voter a greater share in the determination as to who the party candidates shall be. However as already suggested, the party organization still determines as a usual thing who the nominees shall be. In practice a well disciplined party organization is more effective than a loosely organized independent or reform movement. It should be noted however that the primary system does force a presentation of the organization candidates more openly than was the case before the introduction of the primary.

With two elections, the one a choice between candidates at the primary and the other between nominees at the general election, the real determination as to the membership of the General Assembly has shifted largely to the first or primary election. This has not materially altered the situation, for before the primary law was enacted the real determination as to who should be members of the General Assembly was not altogether that at the general election, but was, to a very considerable extent, a determination within the party organization before the general election was held. Under the system which existed before the introduction of the primary, the voter at the general election had little choice as to whom he should cast his ballot for, and the existing primary law has not greatly changed this, although since the enactment of that law the voters have had a somewhat greater choice through the fact that there have been more four-candidate districts than previously.

If an organization candidate is to be defeated, however, the contest must be made in the primary, and it is probable that the non-organization voters have a more distinct opportunity to defeat an undesirable organization candidate under the primary system than before. But it can scarcely be said that the present primary system has weakened party organization.

The primary system does, however, make it possible to organize and carry on an open fight against an undesirable candidate for the nomination. The existence of this oppor-

TABLE V
PRIMARY ELECTIONS

Party	1910				1912				1914				1916				1918			
	Vote for Representative	Per Cent of Total Vote	Number of Candidates	Number of Nominees	Vote for Representative	Per Cent of Total Vote	Number of Candidates	Number of Nominees	Vote for Representative	Per Cent of Total Vote	Number of Candidates	Number of Nominees	Vote for Representative	Per Cent of Total Vote	Number of Candidates	Number of Nominees	Vote for Representative	Per Cent of Total Vote	Number of Candidates	Number of Nominees
Republican	986,792	63.217	96	90	1,164,814	58.221	89	89	601,631	41.203	89	89	1,109,688	62.264	93	93	1,062,995	64.214	93	93
Democratic	580,241	36.233	83	89	820,256	41.257	43	85	783,346	54.310	85	85	673,984	38.240	84	84	599,135	36.198	83	83
Progressive									69,102	4.126	53	13		29	13					
Socialistic	9,420	.5	50	51	15,910	.7	51	51	8,013	.5	54	51	4,391	59	52	6	3,096	44	43	6
Independent			12	2			2	3												
Prohibition	8,369	.5	75	47	7,133	.3	68	49												
Total	1,584,822	100	575	287	2,008,113	100	604	324	1,462,092	100	693	281	1,788,158	100	592	248	1,665,226	100	456	225

tunity has led such associations as the Legislative Voters' League to transfer their activities, to a very large extent, to the primaries as distinguished from the general election. The Legislative Voters' League, since the adoption of the primary system, has issued recommendations regarding candidates before the primaries, recognizing the fact that the voters' choice after such primaries is relatively limited. However, as has already been suggested, the voter has a limited degree of choice in the fairly large number of districts where each of the leading parties nominates two candidates to be voted upon at the general election.

CHAPTER V

EFFECT ON PARTY ORGANIZATION

An investigation of the practical workings of cumulative voting is difficult, since with the exception of the bare facts to be derived from official statistics, there is little information on the subject. The history of the scheme is contemporaneous history and it is not easy to determine what has been accomplished by a movement still in progress. Many of the facts must be sought from individuals still in active life and in order to supplement statistical information, a list of questions was sent in 1908 when the first edition of this study was in preparation to members of the legislature,¹ state officials, editors of some of the more important newspapers of the state, individuals active in civic reforms and a few other prominent citizens. The tabulation of the answers to those questions still of interest will appear in this and following chapters.

In a preceding chapter appears the following quotation from the report of the Committee on Electoral Reform to the constitutional convention:

"It (minority representation) will also tend powerfully to relieve the voter from the despotism of party caucuses and at the same time constrain leaders to exercise more care in selecting candidates for law-making. There is nothing which will more effectually put an end to the practice of packing conventions than arming the voter with the three-shooter or triple ballot power, whereby he may fire 'plumpers' for the candidate of his choice and against those of his aversion." In other words, the cumulative vote would deal a death blow to party bossism. In a report issued by the Legislative Voters' League of Chicago appear these statements: "By it (minority representation) the people of Illinois have lost control of their Legislature," and "Minority representation has been one of the most vicious acts

¹ Legislature of 1908.

ever placed on the statute books;" "The candidates nominated and elected under the present system are in most instances merely errand boys and messengers for the party boss."²

It would be difficult for two assertions to be more widely contradictory. One is the statement made by a civic reformer prophesying the results of one of his favorite projects, the other was made after the scheme had been tried for thirty-five years. While the first, being a prophecy, can prove nothing, neither do the latter empiric dogmatic statements convince.

One of the questions contained in the letter of inquiry sent out in 1908 was, "Does the system (cumulative voting) increase or diminish the power of the party machine?" Eighty-four definite answers were received to this question. Nine asserted that the power was diminished, thirty-five maintained that the system had no effect on party organization, while forty asserted, and most of these were very certain as to the correctness of the answer, that the influence of the party machine was greatly increased. It is interesting, if not important, to note that of the nine who thought the party power was diminished, seven were then members of the legislature, and in general there is considerable variation between the answers of politicians and others who are but observers or critics of political affairs.

One strong evidence of strict party control was the limited number of real candidates nominated under the convention system especially in the Chicago districts. It is true that there were frequently seven or eight candidates for the three places at each election, but usually there were but three nominees of the two dominant parties combined, and nomination thus became practically equivalent to an election. Other candidates represented various minor parties and were fully aware that ordinarily they had no chance of election. The usual rule was for the majority party to nominate two, the principal minority one, and this custom was practically universal so far as the former party was concerned. Prior to 1896 three candidates

² But compare the following from the reports of this same organization: "The things which have distinguished this Legislature are the high character of a majority of its members. . . ." "We are prepared to state that it is an absolute fact that a large majority of the members of the 44th General Assembly are honest and patriotic citizens" and various kindred statements.

were occasionally nominated by one party, but this happened only in districts where the majority party was unusually strong and had some hopes of electing three members; or, what was more usual, the three candidates were the result of county factional controversies where two or more counties were combined in one district. In such cases it sometimes happened that the larger county demanded and secured both nominees and the smaller county, for the sake of revenge, would adopt the suicidal policy of putting a candidate of its own in the field. So far as has been ascertained, no majority party has ever nominated three candidates in order to give its constituents a greater choice at the polls.

Before 1910 the number of candidates to be nominated was determined by the party leaders. No more candidates were nominated than it was thought possible to elect, and nominations were made in party caucuses and conventions. Since 1910 the law has expressly vested in the senatorial committee of each political party the power "to determine the number of candidates to be nominated by their party at the primary for representative in the General Assembly;" and the nomination is made at a primary election, in which each voter may cumulate his votes the same as at a general election.

In Cook County, which has nineteen districts and consequently fifty-seven Representatives to elect, there were before 1910 from 59 to 61 candidates presented by the combined Republican and Democratic parties. Since 1910 there have been from 62 to 67 presented. It was the rule to have but three candidates presented by the two main political parties before the primary law of 1910, but since that year 42 percent of the Cook County districts have had four or more nominees. In at least one district both in 1904 and 1906 the majority party was strong enough to elect all three representatives but presented only two candidates.³ In the districts outside of Cook County the appearance of four candidates of the two great parties has been more common since 1910 than in Cook County.

In ten of the thirty-two districts outside of Cook County in 1906, the two dominant parties nominated four candidates for the three positions. In 1904 in the same districts four candi-

³ Seventh District.

dates were nominated in but eight of them; in 1902 four candidates were nominated in but seven districts. In 1900, under the apportionment of 1893 in which there were 36 districts outside of Cook County, 20 districts had four or more candidates of the two main parties in the field; in 1898, 26 districts and in 1896, 20 districts; in 1894, 29 districts. Under the primary law of 1910 there has been an increased number of four-nominee districts outside of Cook County; in 1910 there were 17 out of the 32 districts; in 1912, 15; in 1914, 15; in 1916, 13; and in 1918, 17 districts.

It appears from the above figures that the voters of the minority party in certain districts have had a limited choice of candidates at the election. It will also be seen that there is no uniform rule governing the action of the minority in regard to nominating two candidates, but there was a decrease in the number of four candidate districts in the elections preceding 1910 and an increase of such districts since that year.⁴

Whether this is merely accidental or whether it is a permanent tendency cannot be definitely determined. Whenever there are two candidates on the same ticket and but one can be elected there is obviously an excellent prospect for an intra-party fight.

A study of election statistics reveals little or nothing regarding party discipline. In some districts where there are four candidates and naturally each nominee of the minority party will induce as much "plumping" for himself as possible, the equality of the vote would seem to indicate an obedience to the party exhortation not to "plump," but to vote one and one-half votes for each candidate. In other cases "plumping" does appear, but it is impossible to tell whether this is due to a voters' rebellion against party domination or whether it is an indication of the power of the party leaders using their influence to elect the organization candidate.

Such a scheme as minority representation and cumulative voting must automatically increase party control. Several thousand voters coming to the polls each with three votes to distribute as he sees fit, without a certain amount of party supervision, can lead to nothing but confusion, injustice, and misrepresen-

⁴ See Table IV for 1910 and following elections.

tation. Some popular candidate might receive a large share of the votes while two others, a majority of those to be elected in this case, might be selected by a comparatively few votes cast for each. There would inevitably be such a waste of votes and unfair representation that the people would demand, or at least acquiesce in, the dictation of party managers in order to prevent such useless and indiscriminate voting.

The undesirable conditions described above are not a mere supposition of what might happen, but specific instances can be cited of the disaster attending cumulative voting elections without party organization among the mass of the people. The best illustrations are the somewhat notorious school board elections in England in 1870 already mentioned, when in some of the districts as many as fifteen members were to be elected and each elector as in Illinois, had as many votes as there were places to be filled. In Manchester there were fifteen members to be elected. "Manchester is famous for two things — first, the fervor of its Protestantism; second, the number, organization and strength of its working classes. But at this election two Roman Catholics were brought in at the head of the poll, one of them receiving nearly 20,000 more votes than any Protestant candidate and no working class candidate, of whom there were seven, being elected at all."⁵

In Marylebone, a district of London, the favorite candidate received 47,858 votes and the next in the list had only 13,494. In Finsbury, another district of London, the highest number received by one candidate was 27,858 and the next highest but 10,766. In Birmingham the fifteen successful candidates were voted for by about 18,800 voters, while 10,100 lost their votes on unsuccessful candidates⁶ — a much greater percentage of non-representation than usually prevails in the single vote method. If specific instances are necessary to prove what appears an almost axiomatic truth — the futility of attempting an election with the cumulative vote without party organization and leaders able to control that organization, the English school board elections furnish some very instructive examples.

While there can be no doubt but that a scheme of cumulative

⁵ Dutcher, *Minority Representation*, 72.

⁶ Dutcher, *Minority Representation*, 69-74.

voting, because of inherent peculiarities, will create a demand for a strong party organization, this does not necessarily imply that the members of the various legislatures of the state have been "machine" men in the opprobrious sense in which that term has come to be used. However, legislative conditions in Illinois have not been altogether satisfactory, to put it mildly, and the records of some of the legislatures have not been ideal. Granting, for the sake of argument, that all the many accusations made against the legislature in the past few years are true, it would appear that the cumulative voting system has been more sinned against than sinning. Admitting all the charges, there is no evidence anywhere nor any analogy from which conclusions can be drawn which would warrant any belief other than that the "machine" would be just as corrupt and have just as complete control as it now has if the cumulative vote had never been used. An investigation of the legislatures of New York, Pennsylvania, in fact almost any state selected at random, will show that other states suffer from exactly the same political "boss" evils of which Illinois complains. The sins of the latter state's legislature seem to be those of omission rather than commission. There have been vexatious delays in securing legislation made necessary by the rapid advance of the state, but with a few recent exceptions there have not been many charges of positive corruption such as are not altogether infrequent in other states.

The same organization which calls the cumulative voting system the "most vicious piece of legislation ever placed on the statute books" also says: "These two measures illustrate how the organizations of the Senate and House work hand in hand. They divide the responsibility — one kills one bill and the other another."⁷ In other words, the Senate is as bad as the House, yet the Senate has never been tainted with the cumulative vote. Also in this state there was no cumulative voting prior to 1872, and surely the records of some of these earlier legislatures are nothing of which to boast. So greatly did the early law-making bodies abuse their power that one of the principal reasons for calling a constitutional convention in 1848 and again in 1862

⁷ Legislative Voters' League, Preliminary Report on the 45th General Assembly, 1908.

was to limit legislative discretion. It is not necessary here to describe the "internal improvement" policy, the oppressive state debt, attempts at repudiation, the passage of questionable private bills and the long, dreary list of legislative shortcomings, but it is doubtful if the later legislatures can equal the unenviable records of many of their early predecessors.

The above is written with no intention of either defending or condemning the state legislatures, but rather to clear the cumulative voting system of certain charges of which it is not altogether guilty. It would be useless to deny that the cumulative vote requires strict party discipline, and that in this system the political "boss" found ready made a means of exercising his control, but all evidence tends to show that if such means had not been furnished he would have found methods of his own to accomplish the same result. It is, of course, a very negative sort of a recommendation to say that a system is no worse than others but, so far as the evils of excessive party control is concerned, that is the most that can be said about the cumulative system as actually applied in this state. But it should be borne in mind that these evils are not all due to cumulative voting *per se*, but rather to abuses of the system, and here is really the heart of the whole question. As the scheme has worked out in practice nominations to the House of Representatives have become practically equivalent to election.

As has already been indicated, the primary election law of 1910 vested in the party senatorial committee of each district the authority to determine the number of candidates to be nominated by the party in such district. The preceding discussion indicates that there has been under the primary law a greater number of cases than theretofore in which each of the larger parties has nominated two candidates. The determination as to how many candidates each party shall nominate is by the terms of the law a more open and public matter than before 1910, and under the present plan party leaders have so acted as to give the voter a greater degree of choice in the general election.

In the primary to nominate the number of candidates designated by the senatorial committee, the cumulative system applies, and this is constitutionally necessary under the decisions

of the state Supreme Court. The tables on pages 48, 49 and 53 indicate that there has been no dearth of primary candidates since 1910. Anyone may easily become a candidate in the primary, but this fact does not seem up to the present time to have weakened the party organization. The application of the cumulative system to the primary may work to strengthen the organization, for if there are a number of candidates in the primary, a well disciplined body of voters by cumulating on one or two candidates may usually decide the nomination; and the party organization has thus controlled not only the number of candidates to be nominated, but has also frequently determined who should be nominated in the primary.

CHAPTER VI

PRACTICAL DIFFICULTIES OF THE CUMULATIVE SYSTEM, AND ITS EFFECT ON THE LEGIS- LATIVE PERSONNEL

When the advocates of electoral reform were busy formulating schemes of minority representation they had no difficulties in devising theories that would afford such representation with mathematical exactness. The real difficulty lay in making these methods so simple that the ordinary voter could exercise his privilege intelligently and the returning boards tabulate results readily and accurately. The committee on electoral reform in the constitutional convention also struggled with this problem and abandoned their first device as too complicated. The plan finally recommended was the simplest the committee could devise, but even then it was feared there would be difficulty in voting and counting the votes. As a matter of fact, as often happens whenever any new system of voting is put into operation, there was at first some difficulty at the polls, but this grew less as the voters became familiar with the plan. Later, when the Australian ballot was introduced, more obstacles were encountered. To obtain additional information on this subject the following question was included in the list sent out by the writer in 1908: Are there any practical difficulties in voting, counting votes, etc?" Of the ninety-three answers received to this question, sixty asserted that there were no difficulties at all, or, if any, they were so slight as to be of no real importance. Thirty-three answered that the difficulties were serious enough to constitute a real objection. In the great majority of cases these thirty-three were opposed to the entire plan, and were inclined to attack every phase of it whether there was really justification for such attack or not. To count and record half votes may require a little more time to arrive at results than under the ordinary system of voting, but beyond this inconvenience the practical difficulties are so slight that they cannot be considered as any real objection.

With the idea of determining public sentiment on the question and to ascertain if minority representation in its somewhat crude and limited form was regarded sufficiently successful that the people of the state would approve of a wider application of the principle, a question was included in the previously mentioned list sent out in 1908 asking what advantages, if any, would be gained by increasing the size of the districts and electing more than three men from each. Evidently the larger the districts and the more officials elected from each, the more opportunity small parties would have of being represented and the more nearly the scheme would approach proportional representation. Of eighty-eight who replied directly to this question, three favored the idea of larger districts and eighty-five disapproved, but it is evident that the answers are of but little value so far as an expression of opinion regarding proportional representation is concerned. Apparently those replying had not considered the wide extension of the principles of proportional representation which such a change would entail and opposed any such increase in the size of the districts on grounds of general expediency.

Judging from the opinions of representative citizens whose standing in the community is such that their ideas may be taken as a criterion, public sentiment is either indifferent or opposed to minority representation. The scheme has a few warm friends, but many of those expressing opinions think it has produced but little effect in any direction, while others are squarely opposed, opposition usually being based on the alleged subversion of the system by party organization. All are agreed that one of the principal objects of the introduction of the method, the allaying of sectional strife, has been accomplished, but this is now an issue of the past and cannot be advanced as a justification for the present existence of minority representation.

As quoted in a preceding chapter the electoral committee took the view that: "It (cumulative voting) will increase the usefulness of the legislature by improving the membership. It will enable virtuous citizens to elect the ablest and purest men in their midst and secure to the legislative councils a large measure of popular confidence and respect." How far this contention has been justified it is difficult to say, but in reply to

the previously mentioned questionnaire sent out in 1908, only six out of a total of eighty-four who expressed their ideas on the subject were of the opinion that the personnel of the legislature had been improved by the cumulative method of election. The public, however, usually thinks of cases in which the cumulative system has kept in office some undesirable member, and overlooks the fact that a number of the ablest and most useful members have been minority members in their own districts.

Those mentioned above who expressed their opinions on this subject are not altogether fair in their comparisons between the cumulative vote and the ordinary method. They are fully aware of the defects of the method used and compare an actual system and its practical evils with an ideal conception of the one-vote method, forgetting that the latter leads to equally bad, if not the same, evils, when put into operation. Then again, it is the fashion to decry and ridicule all legislative bodies from municipal councils to the Congress of the United States. Creative legislation is a difficult task and when mistakes are made many self-constituted critics appear and denounce both statutes and their authors and allowance must be made for this prevailing custom.

There are two features, aside from the increased power of the party organization, which may aid in the election of inferior candidates. It was expected that the voter's privilege of "plumping" would tend to defeat undesirable men, but in fact this has at times worked out in exactly the opposite way. Practice here illustrates how easily a reform may be utilized advantageously by the very people against whom the measure was aimed and the "triple armed voter — the terror of party despotism" seems to have been reduced to a very harmless terror indeed. As already mentioned the party organization may exert all its influence to elect its candidate, while a more independent nominee may unwittingly aid his own defeat by asking his party to divide the vote equally between himself and his ticket-mate. While such cases may happen their frequency has undoubtedly been exaggerated. Election statistics show but comparatively few instances where a candidate has been defeated by "plumping." Even assuming, what facts will not warrant, namely, that all nominees who fail of election are the very ones

that should have been elected, few men have been kept out of the legislature on this account, who, for the good of the community, should have been there.

Another circumstance which may affect the personnel of the legislature is incidental rather than essential to minority representation. In this state, if three legislators are to be elected from a district, the number of these latter must be somewhat limited and this necessitates the union of two or more counties. This combination leads to jealousies between the counties, each fearing that it will not get its full share of the spoils. When fights of this sort occur the personality and qualifications of the candidates are lost sight of and the only question considered by the voter is whether or not the nominee is a "home" man. While these county feuds exist and are sometimes of long standing, it is doubtful if they produce much effect on the personnel of the legislature. Some desirable candidates have probably been defeated because of county jealousies, but it is probably true that just as many undesirable nominees have failed of election for the same reason and the account is about balanced.

Many of those expressing their opinion on the subject believe that the method of election has nothing to do with the character and ability of the legislators and this seems the reasonable and logical view. The voters and character of the voters will be the same regardless of the method of election and, generally speaking, elected officials are representative of those from whom they receive their credentials.

While the cumulative vote requires strict party discipline, the abuse of that discipline does not necessarily follow, but it is evident that when the innovation was introduced into Illinois it was not properly safeguarded. While few attempts have been made to abolish the cumulative vote by constitutional amendment several schemes have been proposed to free it of its attendant evils. A reform which has been suggested and championed by at least one rather prominent civic organization is to compel each party to nominate a full ticket of three candidates. The object is, of course, to present a considerable number of men from which the voter may select those he considers best qualified but the attempt to inaugurate this change without specific statutory authority failed. This method would obviously be a plain violation of the spirit, if not of the letter, of the constitu-

tion if such a law or custom were followed in good faith. For illustration, we will assume a district in which the Republican party has a majority. This party would nominate a full ticket and the Democratic and other minority parties would do likewise. Since party dis-affection is the unusual rather than usual condition, the result would be ordinarily that each voter would cast one vote for each candidate of his party, and the three Republican nominees would be elected and minority representation practically abolished. Such practice would give the independent voters a chance to exercise their discretion, but it is only when the occasional wave of civic virtue sweeps over the country that they become numerous enough to endanger party success. The usual results of each party having a ticket of three candidates would be that the majority party would elect all three representatives at the expense of the minority.

If three men were nominated in good faith by each party, thus putting a larger number of candidates in the field, of which only three could be elected, the result would be a hard, bitter fight, not between parties, but between nominees on the same ticket. It would be easier for a Republican, for example, to secure one or one and one-half votes from his colleague than it would to cross party lines and secure the same from his Democratic opponent. Parties would be demoralized, cliques and rings would grow up around certain individuals and campaigns would be waged not on political issues but personalities. Such a change would in no way affect the real evil in the case.

In the above it is assumed that in nominating three candidates each party acts in good faith. Every conclusion, however, that can be drawn from past history or present conditions indicates that such practice would not be conscientiously carried out by any party nor is it probable that any legislation could accomplish the desired result. Taking the example previously given, if the Democrats only had enough votes to elect one man if they "plumped" on him, they undoubtedly would "plump." Three names might appear on the ticket, but it would be made known that two of them were there to meet the technical requirements and that there was but one real candidate. A rebellious voter might not vote for that one, but if he did not he would be practically sure that he was wasting his vote.

CHAPTER VII

SUMMARY AND CONCLUSION

In the preceding discussion it has been shown that the cumulative method in practically all cases secures minority representation in the legislative districts of the state. Considering only the two main parties, representation is obtained very nearly proportional to the vote cast by each. Parties other than the Republican and Democratic seldom have more votes in any district than the weaker of these two main ones and hence elect but few members. There is, however, a much smaller waste of votes and smaller percentage of non-representation than prevails under the ordinary majority system.

The evils of gerrymandering are greatly reduced, as is indicated by the fact that the vote required to elect a representative is about the same for either of the two principal parties, while for senators, elected by the plurality system from the same districts, it requires from two to four times as many Democratic as Republican votes to elect one member.

The minority party does occasionally secure undue representation, as in some instances it has elected two out of three representatives. Such results, however, occur only in a few cases since only in about four per cent of the total elections has a minority elected an excessive member of legislators from individual districts. These mishaps may be due to bad management by the majority party failing to nominate the candidates which it might elect or one party nominating three candidates when it had not sufficient votes to elect them; or by one or more of the opposition parties concentrating on one candidate; or they may be caused by the personal popularity of a candidate; by county feuds, where two or more are joined in one district; or by the party organization fighting valiantly for a candidate whom it fears may be defeated.

In every case where a party has had a plurality in the state it has had a plurality in the lower house of the legislature, and

the will of the people, as indicated by party vote, has never been defeated because of occasional instances of the minority securing excessive representation in certain districts.

Any system like the cumulative method has inherent qualities which demand strict party discipline. Political leaders of the state have not been slow to take advantage of this. The most noticeable and pernicious evil, before the enactment of the primary law, was the rigorous limitation of nominees presented by the two principal parties at each election. While this condition has not been greatly changed since the use of the primary system, the people do have a wider choice, as indicated by the large number of candidates at the primaries from which to select the limited number of nominees, and as also indicated by the increase of four nominee districts. Although party control is required by the cumulative vote, it is doubtful if, on the whole, political bossism has been worse in Illinois than in other states. In Illinois, however, with the system unguarded as it was until quite recently, it was very difficult for the electorate to free itself from this undesirable party domination even if so inclined. If a satisfactory primary law, allowing the electors a wide choice in their selection of nominees, is available, the Illinois voter would seem as free to rid himself of undue partisan control as the voter in other states where the cumulative system does not prevail.

The practical difficulties of voting under the cumulative system as used in this state are so slight as to constitute no real objection.

The effect of the cumulative method on the personnel of the legislature is difficult to ascertain definitely, since the character of legislators who might have been elected to office under some other plan of selection is entirely indeterminate. The logical conclusion, however, drawn from comparison, is that the cumulative method has had little effect on the personnel of the Assembly. The method of voting can, of course, have no influence on the electorate which determines who the representatives shall be. In comparison with other states the members of the Illinois legislature seem to be a fair average, thus again indicating the small effects which electoral methods have on the character of officials.

The strongest recommendation for the cumulative system is

the fact that at all times it secures representation for a minority party, thus insuring a strong minority in the lower house of the General Assembly. The inherent justice of the first mentioned fact will appeal strongly to civic reformers and is worthy of consideration when discussing the merits of minority representations, while the latter makes impossible the tyranny of an overwhelming majority which is too often inclined to override the minority in a mere wanton display of power. An ever present minority also serves to check the tendency towards corruption which almost invariably follows when one party has for a considerable time a large majority in the legislature. This applies with special force to Illinois where with but few exceptions one party has had control of the state for many years.

The serious objection to the cumulative method is the opportunity it affords for "machine" control and party "bossism." While the primary system in itself is not a guarantee against undesirable party activity yet in practice it has in other states bettered political conditions and there is no apparent reason why a satisfactory primary law may not accomplish the same result in Illinois if the voters will avail themselves freely of its opportunities.

It may also be said of the primary that it in no way affects the cumulative system of voting. It simply applies the system in two elections instead of one. Minority representation is also unaffected as evidenced by Table II. With a satisfactory primary system in force the people may, if they will, apparently control their legislature as effectively as under the ordinary plurality system and in addition secure an approach to proportional representation so far as the two major parties are concerned.

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Labor Problems and Labor Admin- istration in the United States During the World War

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PART I

Nature and Analysis of the Problem

PREFACE

The principal aim of this study is to present statistical and other informational data concerning the numerous labor problems that arose in the United States during the recent war, and to outline the development of war labor administration. The data were gathered during the war period and the study was completed shortly after the cessation of hostilities. No pretense is made to discuss the developments that have taken place in the period of reconstruction, except where it has seemed necessary to add data to round out certain phases of the presentation. The conclusions in the final chapter were formulated in the light of the war experiences of the United States and, altho the months subsequent to the signing of the armistice have uncovered developments that may seem to invalidate some of the conclusions regarding the future relations of capital and labor, the author is still of the opinion that his analysis has adequate basis in fact and that future developments will sustain his conclusions.

This opportunity is taken to express the writer's appreciation of the very valuable criticisms and suggestions made by Professor John A. Fairlie of the University of Illinois, who has read the manuscript. The author is especially indebted to his wife, Anna E. Watkins, whose constant coöperation has made this study possible.



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INTRODUCTION

It is now a commonplace observation that the World War caused unprecedented readjustments in the political and economic organization of the belligerent powers, and in its wake left many unexpected modifications in the social structure of the civilized world. Perhaps no similarly brief period in the history of the world has been so pregnant with unique national experiences, and surely none has resulted in more far-reaching political, economic, and social readjustment. In almost every department of national life the familiar, under the pressure of innumerable exigencies of the titanic struggle for national existence, gave way to the novel both in the realm of the theoretical and the practical. We found ourselves accepting, as a *modus vivendi ad interim* at least, theories and policies that, altho not foreign to us, had not been unqualifiedly endorsed. For the student of history, whether social, political, or economic, it is much easier to think of the period of the World War in terms of revolution rather than of evolution, and to interpret the events of that time he must accordingly adjust his mental perspective.

To those interested in the development of economic theory and economic policies the war period was especially rich in interesting experiences, for there was not only widespread disregard of commonly accepted economic doctrines, but a wider abandonment of customary economic practices. At every turn in the road of economic reorganization for war the freedom of the individual was restricted and the power of the state augmented. As we shall point out later, this unprecedented development of government regulation took place in all departments of our industrial organization, but nowhere was that development more interesting and, at times, more extensive than in the field of labor. The important place which labor holds in productive processes necessitated careful consideration of hitherto neglected problems of industrial relations which became more serious during the great emergency. Furthermore, altho the formulation

of a constructive labor policy and the organization of a war labor administration were slow in maturing, when final development was reached they were of more than passing interest to the student of industrial relations. That is why this study of the labor problem in the United States during the World War has been made. If the policies and methods of dealing with the labor situation during the emergency of the last few years contained nothing new and suggestive such a study would be of only historical value, but it is now generally agreed that our experiences during the war have contributed much toward the solution of the maladjustment in industrial relations and the problem of labor administration.

The purpose of this brief study is: (1) To outline the labor problem during the war; (2) to trace the main lines in the development of war labor administration in the United States; and (3) to point out the value of our war-time experiences in the creation of permanent labor policies. The first part of the essay is devoted to an analysis of the elements in the labor problem during this period, and in the second part are considered administrative methods and policies, including the adjustment of industrial disputes. In the concluding chapter are suggested the lessons that have been learned and the problems of the reconstruction period, altho most attention is directed to a consideration of the new point of view which is evidenced in the management of industry as it affects labor. For upon the spread of a more amicable and conciliatory attitude between labor and capital depends, we believe, the establishment of industrial peace.

That the United States, in dealing with the exigencies that may arise in the realm of industrial relations in future years, will be able to draw extensively upon the experiences of the war period, there seems little room for doubt. In those experiences there may be discovered the long desired solution of our labor problems, and the pattern for administrative machinery that will prove adequate for dealing with the perplexing problems of production arising out of the employment of labor. It will profit our people little to have secured the guaranty of justice and peace in international political relations if within our own boundaries we fail to establish a solid foundation for fair dealing and amicable relations in industry. In the light of the data

presented in the following pages it may be possible to formulate some definite conclusions concerning the practicability of maintaining industrial peace under normal conditions, since it was measurably guaranteed under the trying circumstances of a titanic war. The necessity and desirability of such a peace is generally recognized; acceptable and effective methods of establishing it have yet to be devised, unless these means are contained in the labor policies of the last few years.

PART I
Nature and Analysis of the Problem

CHAPTER I

ECONOMIC REORGANIZATION AND THE LABOR PROBLEM

The outbreak of the great war in the summer of 1914 unleashed the forces of one of the most efficiently organized nations the world has ever known. That efficiency of organization was characteristic not merely of Germany's military and naval establishments, but was equally true of her industrial machinery. The enemies of Germany gradually learned that in order to defeat her they must imitate her in military, economic, and political coördination. In this case imitation meant not suicide, but life. Germany's success was due largely to concentration of authority and coördination of administration in every department of her national life. However distasteful such concentration of authority and coördination of administration might prove to the more individualistic Latin and Anglo-Saxon mind and temperament, the necessity, born of war, forced readjustment to the policies of their autocratic antagonist.

The United States did not escape the necessity of economic and military reorganization for war. Active participation in the conflict brought her innumerable complex problems which she was not immediately able to solve. Three years of molested neutrality and violated sovereign rights, and the deepening premonition of our people that sooner or later we should become involved in the European conflict failed to cause very serious military and economic readjustment for the impending emergency. Industrially, however, it cannot be said that we were quite so inadequately equipped to assume the burden of war. Under the stimulus of an enormous European demand for war materials and other supplies, which resulted in a very high level of prices, our industrial machinery had quickly and feverishly reacted, and a fairly complete transition to a war basis had been effected, so that on April 6, 1917, when we finally declared war on Germany, our industries were able to assume the burden, at least to an appreciable extent. Nevertheless, a state of war soon

revealed the inadequacy of even our economic organization to meet the demands of a great emergency.

It immediately became apparent to our government that production of materials must be stimulated and even new sources of supply created; that there must be greater coördination and increased efficiency in the distribution of the necessary products; and that as a nation we must practice greater economy in the consumption of essential commodities and more rigid curtailment in the production and consumption of non-essentials. All these conditions were necessary prerequisites to successful prosecution of the war. To attain these ends, moreover, it was clear that there must be unprecedented reorganization of industry, seeming if not actual violation of cherished constitutional rights and guaranties, and the abandonment of our traditional policy of *laissez-faire*. In other words, for the duration of the war individualism must give way to an extension of governmental interference.¹ We were to experience, as subsequent events proved, the greatest extension of government control and regulation in the history of our people.

One fact stood out in unmistakable proportion in the experiences of the European belligerents, namely: that successful conduct of the war was largely dependent upon centralization of control and coördination of administration in industrial organization. Disregard of the common experience of other belligerents was scarcely to be expected in the United States, and thus, as in other countries, unrestricted competition and the free play of economic forces gave way in large measure to public regulation. Our primary task was to marshal all of our military and economic forces, at whatever cost to traditional methods and philosophy, for the winning of the war.

1. ECONOMIC READJUSTMENTS

In order more clearly to understand the meaning and appreciate the significance of labor conditions in the United States

¹ This statement is not intended to imply that the United States has had in recent decades a purely individualistic policy. Absolute individualism and strict adherence to the doctrine of *laissez-faire* have of necessity long since passed away, for, as Professor Henry C. Adams has pointed out in his *Relation of the State to Industrial Action*, public regulation and interference must proceed along with the advance of trade and industry under private initiative and control.

incident to the war and the labor policy of our government, it is necessary at this juncture, even at the risk of repetition of very familiar facts, to consider briefly some of the economic readjustments effected in this country subsequent to the declaration of war on Germany. A few examples of this industrial readjustment for war will be sufficient for our purpose here.

America's first official step towards industrial preparedness for war had been taken as early as August 29, 1916, when Congress passed a law providing for the creation of a Council of National Defense.² This council, however, was not fully organized until March 3, 1917.³ The function of this body was the coördination of the industries and resources of the country for the national security and welfare, and the "creation of relations which will render possible in time of need the immediate concentration and utilization of the resources of the nation." Upon the outbreak of the conflict it became the particular function of the council to mobilize speedily the nation's economic resources for the conduct of the war. The objectives of this mobilization were greater production, more efficient distribution, and more economic consumption of the essential products. The imperative need was for ships, munitions, food, fuel, wool, lumber, etc. In short, the whole field of production, distribution, and consumption of commodities was demanding attention.⁴

To aid in the solution of these complex problems the nation summoned her business experts, and gradually the program of economic reorganization was effected. To the War Industries Board of the Council of National Defense was entrusted the task of fitting our industries for the emergency. The specific functions of this board, according to President Wilson, were as follows: (1) The creation of new facilities and the disclosing, if necessary the opening up, of new or additional sources of supply; (2) the conversion of existing facilities, where necessary, to new uses; (3) the studious conservation of resources and facil-

² Public H. R. 17498. This Council consisted of the Secretary of War, the Secretary of the Navy, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, and the Secretary of Labor, with an advisory committee of prominent business men.

³ *First Annual Report of the Council of National Defense*, 1917, p. 6.

⁴ *Ibid.* For the outline of the structure and functions of the Council see H. R. 17498, or the above report.

ities by scientific, commercial, and industrial economies; (4) advice to the several purchasing agencies of the government with regard to prices paid; (5) the determination, wherever necessary, of priorities of production and of delivery, and of proportions of any given article to be made immediately accessible to the several purchasing agencies when the supply of that article became insufficient, either temporarily or permanently; and (6) the making of purchases for the allies.⁵

In response to the demand for greater production and more economical consumption of food and fuel, Congress, after much debating and almost unpardonable delay, finally passed the Lever Act on August 10, 1917. This was an act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel.⁶ On the same day that the Act was passed President Wilson appointed as Food Administrator Mr. Herbert C. Hoover, who had very efficiently organized the Belgian Relief work. Mr. Hoover soon organized the Food Administration, whose efforts were to be directed to the following: Guiding trade in the fundamental food commodities so as to eliminate vicious speculation, extortion, and wasteful practices, and to stabilize prices in the staples; guarding our exports so that against the world's shortage we might retain sufficient supplies for our own people and coöperate with the allies to prevent inflation of prices; and stimulating the conservation of food in order that exports to our allies might be increased to a point that would enable them to supply their own armies and feed their people during the war.⁷

On August 23, 1917, Harry A. Garfield, president of Williams College, was chosen by President Wilson, acting under the authority of the Lever Act, to head the Fuel Administration. Mr. Garfield set the following tasks for the Fuel Administration: To secure the largest possible production of fuel; to guarantee a just price to the producer and a reasonable one to the consumer; to eliminate wasteful consumption of fuel; to secure a more effi-

⁵ *Official Bulletin*, March 6, 1918, p. 1.

⁶ Public — No. 41 — 65th Congress (H. R. 4961).

⁷ *Monthly Review*, U. S. Bureau of Labor Statistics, September, 1917, p. 67. Washington, D. C.

cient distribution of fuel supply; and to enforce adherence to these regulations.⁸

Under authority of an Act of Congress, approved August 29, 1916, making appropriations for the support of the army for the fiscal year ending June 30, 1917, and for other purposes, it was possible for the government to make the necessary reorganization in the country's transportation facilities. Under authority of Section 1 of that Act the President, in time of war was empowered, through the Secretary of War, to take possession and assume control of any system or systems of transportation, or any part thereof, and to utilize the same to the exclusion, as far as may be necessary, of all other traffic thereon for the transfer and transportation of troops, material, and equipment for such other purposes connected with the emergency as may be needful or desirable.⁹

After the failure of a pooling scheme in which the railroads sought, by eliminating wasteful competition, to reorganize their facilities for more efficient service, it became evident that the government would sooner or later have to assume control of the railroads. Under proclamation dated December 6, 1917, President Wilson stated that through the Secretary of War, Newton D. Baker, the government would take possession and assume control of the railroads at twelve o'clock noon on December 28, 1917, and that this would include control of all roads and equipment, but that for purposes of accounting this possession and control would date from twelve o'clock midnight, December 31, 1917. In his explanation of this action the President pointed out that the order would increase efficiency in the conduct of the war, and that centralized organization and coördination sooner than private control and operation would win the war. William G. McAdoo was appointed Director General of Railroads.¹⁰ Mr. McAdoo's first statement as Director General was that "The operation of the railroads as a thoroly unified system is of fundamental importance to the success of the war."¹¹

⁸ H. A. Garfield, *Task of the Fuel Administration*, published by the U. S. Fuel Administration, September 6, 1917, pp. 3, 4.

⁹ Public — No. 242 — 64th Congress, H. R. 17498.

¹⁰ *Official Bulletin*, December 27, 1917, p. 1.

¹¹ *Ibid.*

It was the opinion of many persons that ships would win the war; and it was generally recognized that, if we were to provide our allies with foodstuffs and other necessities, an American merchant marine must be built to overcome the submarine menace. To this end the United States Shipping Board, organized under an Act of Congress approved September 7, 1916, was empowered to regulate carriers by water engaged in foreign and interstate commerce of the United States and to establish and develop a merchant marine.¹² Pursuant to the authority vested in it by section 11 of the Act, the board on April 16, 1917, organized the Emergency Fleet Corporation capitalized at \$50,000,000. This corporation was organized to construct under contract vessels for United States commerce; to control production and inspection of work on such vessels; to provide for new plants and plant expansion; to supervise the completion of requisitioned vessels and operate commandeered yards; to purchase, inspect, and arrange for shipments of shipbuilding materials; and to adjust all legal questions affecting contracts and labor.¹³

In addition to these examples of economic readjustment occasioned by war, the list might be extended to include the organization and functions of the War Risk Bureau of the Treasury Department, through which the government became the largest insurance company in the world;¹⁴ the War Trade Board, organized to regulate imports and exports and to prevent trading with

¹² 39 Stat. L., 728, 729.

¹³ *Emergency Fleet News*, February 28, 1918, p. 6.

¹⁴ The entire life insurance written by all stock and mutual companies, and fraternal orders, associations, and societies in the United States during the year 1917 was about \$6,000,000,000. In the first six months of its operation the War Risk Bureau had written insurance for more than 1,700,000 soldiers, sailors, and nurses for a grand total of \$14,000,000,000, with an average valuation of \$8,500. The government was several hundred per cent the largest insurance company. *Official Bulletin*, April 17, 1918, p. 1. The first year the bureau handled over 8,000,000 individual applications for insurance, allotments, and allowances, and it cost the government only \$1,500,000 to write \$36,250,000,000 of insurance. *Chicago Tribune*, November 10, 1918. Between October 6, 1917, and April 1, 1920, the bureau had written individual policies numbering up to 4,616,598, representing a total amount of insurance of \$40,182,535,500. Premiums between these two dates amounted to \$325,000,000, and the claims payable amounted to \$1,100,000,000. *Letter from the Treasury Department, Bureau of War Risk Insurance, to the author, April 22, 1920.*

the enemy; the Finance Corporation, the function of which was to control the fields of credit and capital issues and prevent too severe drafts upon the nation's financial resources by unnecessary and non-essential expansion of industrial enterprises under private direction. But sufficient illustrations have been cited to fulfill our purposes here, namely, to point out that the trend of industrial reorganization for the stupendous emergency was characterized by concentration of authority and control, and co-ordination of administration. Throughout the broad field of production and distribution of essential war commodities public regulation supplanted the free operation of the economic law of supply and demand. That this new policy of concentration of control, coördination of administration, and extension of government regulation was necessary under the circumstances there is little room for doubt.

2. LABOR PROBLEMS

In the above program of industrial readjustment, however, there was very slight recognition of the serious labor problems that ordinarily accompany the condition of forced production incident to a state of war. Altho the labor problem is not likely to assume a very different aspect in a time of war from that which characterizes it in times of normal production, nevertheless in a time of war its several elements take on a more serious and intense character. The difference is not one of kind but of degree, and this condition calls for more flexible and more adequate machinery of control and adjustment.

A casual glance at the labor situation in the United States during the recent crisis will show, we believe, that the labor problem consisted in: (1) An insufficient supply of workmen, skilled and unskilled, to meet the increased demand for labor resulting from the feverish stimulation of production. This labor shortage was made more acute by virtue of (a) the falling off in immigration which in normal times had been a primary source of unskilled workmen, and (b) the unprecedented withdrawal of millions of workingmen from industry to fill the ranks of the army and navy. (2) A conspicuously great variation in the scales of wages paid in different industries in the same territory, and still more in establishments in different sections of the country. (3) A great increase in labor turnover, due partly to the economic fac-

tor of competition among employers for laborers, which resulted in special wage inducements and consequent labor migration, and partly to certain socio-economic conditions, such as inadequate housing and transportation facilities, that were inevitable wherever rapid industrial expansion took place. (4) An increase in the volume of industrial unrest due to the usual causes, namely: the desire of laborers to organize and secure recognition of the union, the necessity of demanding higher wages to meet the rapidly rising cost of living, and the growing belief among workmen that eight hours should constitute a day's work and that such work should be performed under safe and sanitary conditions.

These usual causes were magnified by the realization on the part of the workingmen that, on account of the shortage of labor, their efforts were indispensable in the successful conduct of the war (a condition that makes a state of war an opportune time for the enforcement of labor's demands), and the prevalence among laborers of the conviction that employers were making unjustifiably huge profits out of the unfortunate international débâcle. (5) Bad distribution of the labor supply due to the absence of adequate governmental machinery for the bringing together of the jobless man and the manless job, and the transfer of workers from non-essential to essential industries. (6) A tendency toward decreasing labor efficiency which was due, in part, to the greater independence of workmen who knew that discharge was unlikely to follow the discovery of "loafing on the job;" and, in part, to the fact that the higher rates of wages enabled the men to accumulate sufficient surplus to encourage idling a day or so each week. (7) A tendency to break down the legal safeguards built around labor, especially in the case of women and of children. (8) A spirit of coöperation and solidarity among the laboring forces, growing out of the conviction that labor should be given a larger voice in the control of industrial conditions and in the determination of the economic and political policies of the nation.

Granting that the above analysis approximates a fair degree of accuracy, one can say without fear of exaggeration that the labor problem was one of the most important that confronted our government in its industrial reorganization for war. The funda-

mental rôle played by labor in the production of war materials necessitated, as a preliminary step in the execution of the nation's war program, formulation of a definite war labor policy and the creation of adequate executive, judicial, and administrative machinery for handling whatever exigencies might arise in the labor situation. A satisfactory war labor program, however, was not evolved immediately, and there was current much severe criticism of the government for what was characterized as its dilatory methods in dealing with this important problem. The following excerpts from a leading newspaper will suffice to reveal the nature of this criticism.

Any manufacturer could have told the government that the labor problems would have to be settled at the outset if our war program was to be carried on without constant interruption and delay. Far-seeing statesmen, with the example of England close at hand, could have devised a policy that would at the same time safeguard the rights of labor and insure maximum production.¹⁵

The real trouble is that for ten months, ever since the United States entered the war, the Government at Washington has had no labor policy, no central organization for dealing with the infinite variety of labor problems which have arisen.

Meantime, for lack of a labor policy and of a unified plan of handling labor problems the situation has grown steadily worse.¹⁶

Such criticism was not confined to the daily press, for many serious students of the labor problem voiced similar opinions, and as late as November, 1917, one of these pointed out that: "No system of general adjustment or governmental control has yet been put into operation for dealing with strikes which may arise, indeed have arisen in mines, lumber camps, machine shops, and factories, where munitions and supplies are being produced for the conduct of the war."¹⁷

It must not be inferred from these criticisms that the government had no labor policy during the early months of the war, for, through the Department of Labor and its subsidiary bureaus and certain adjustment commissions, it was doing much to relieve the situation. The difficulty lay in the absence of centralized control and coördinated administration in dealing with the

¹⁵ *Chicago Tribune*, February 17, 1918.

¹⁶ *Ibid.*, February 3, 1918.

¹⁷ Louis B. Wehle, *Quarterly Journal of Economics*, Vol. XXXII, (November, 1917), p. 132.

labor problem. It will be recalled that in almost every other important phase of industrial reorganization for war a large degree of concentration and coördination had been effected. When the United States entered the war there were only a few governmental agencies authorized to deal with labor matters, and even these were inadequately prepared to handle the serious labor problems that followed in the subsequent months. The Department of Labor was not in sufficiently intimate touch with the production departments of the government, such as the Quartermaster's department and the Ordnance department, to enable it to render the most efficient service in the emergencies that arose, and this may have been the cause for the development by those departments of independent methods for the solution of their own labor problems.

During the early months of our active participation in the war the opinion was current in labor circles that too little attention was being paid to the solution of labor problems incident to the war, and too little recognition given to the rights of labor in the determination of policies of economic readjustment. It was the conclusion of these men that "In order to safeguard all the interests of the wage-earner organized labor should have representation on all agencies determining and adjusting policies of national defense."¹⁸ Samuel Gompers, president of the American Federation of Labor, was a member of the Advisory Council and chairman of the Committee on Labor of the Council of National Defense, but outside of that it can hardly be said that labor was given much recognition and representation on the numerous boards and committees that sprang into existence to effect our economic reorganization for war. On June 27, 1917, Mr. Gompers wrote the Council of National Defense relative to the demands of organized labor for more active participation in the formulation and administration of important national, state, and local boards having to do with special war work. Labor desired representation co-equal with all other interests. "These boards and committees," Mr. Gompers pointed out, "are now composed entirely of business men . . . who control the placing and expenditure of millions of the nation's money. As a

¹⁸ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor, 1917, p. 77.*

matter of precaution, to prevent any charge of discrimination or suspicion of scandal, representation of all citizens contributing to the national fund ought to be on the boards or committees. War contracts must not be allowed an opportunity for private gains and the accumulation of war profits. As a matter of justice and democratic principle representatives of employees as well as of employers ought to determine national economic policies.”¹⁹

Little representation had been given to labor in the determination of policies that involved its own interests, except in the regulation of conditions in the coal mines. By the middle of November, 1917, however, labor's demands for representation had been granted and it was given a place on most of the important national, state, and local boards that had to do with industrial reorganization for war.²⁰

Representation of organized labor on the various administrative committees did not solve the complex labor problems that were rapidly taking form and assuming an increasingly serious aspect. In fact no adequate substitute had been devised for the much needed coördinated government policy. This desired coördination was not inaugurated until we had been at war almost a year. The analysis of labor conditions that finally made imperative the creation of adequate administrative machinery, and the examination of the development of methods and policies of war labor administration are the tasks outlined in the subsequent chapters of this study.

¹⁹ Quoted in the *American Labor Year Book*, 1917, p. 11.

²⁰ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor*, 1917, p. 81.

CHAPTER II

THE ATTITUDE OF AMERICAN LABOR TOWARD THE WAR

The war labor problem in the United States, the genesis of which has been suggested in the foregoing pages, was the product of two major sets of conditions. There were, first, certain economic and social conditions in American industry which even in normal times had proved a source of irritation to the laboring class, and which, under the abnormal circumstances of war-time, assumed a far more serious aspect. Furthermore, there were many trying economic phenomena arising out of the struggle itself. These economic and social elements in the labor problem are considered at greater length in later chapters. We are concerned here primarily with the second major group of conditions, namely: the mental reactions of the so called proletariat towards the war. A brief analysis of this psychic element and its relation to economic conditions is necessary as a preliminary step to an examination and clear understanding of the war labor problem in its more specific aspects.

The rank and file of the working class did not appear to accept the outbreak and continuation of the World War with any degree of equanimity or approval, until strenuous efforts had been exerted by the various governments in belligerent countries to justify their participation in the conflict. This was as true of the United States, whose purpose in entering the war was heralded as purely unselfish, as it was of the other nations whose benevolent intentions were less clearly defined. The hostile attitude toward the war which was evidenced among the working class was due apparently to the dissemination within its ranks of the socialistic and syndicalistic doctrine that all wars are capitalistic in origin and purpose; that commercial rivalry is the basic cause, the *sine qua non* of international struggles. The economic and commercial rivalry, which developed *pari passu* with colonial expansion among the great powers during the closing years of the nineteenth and the opening years of the twentieth

eth centuries, had focused the attention of the masses upon the resultant burdensome expenditure for military and naval armaments, and the outbreak of the World War strengthened this conviction among the more radical groups in human society. As the war continued, this belief in the commercial character of all such conflicts gained adherents, despite espionage and sedition laws which aimed directly or indirectly at the suppression of all propaganda likely to embarrass the government's war program. Autocratic and democratic governments alike faced the necessity of crushing this revolutionary philosophy which from time to time was responsible for the interruption of production and even threatened complete disruption of essential war industries.

In this, as in many other experiences common to the warring powers, the United States had its share. Our entry into the war brought to light a decided lack of enthusiasm for the struggle, especially among the great mass of workers. This indifferent, if not unfriendly, attitude toward the nation's action was due in part to the widespread propaganda of enemy agents who with untiring and insidious efforts sought to paralyze America's war preparations, and to the dissemination of anti-war philosophy by sincere adherents of the creeds of socialism and syndicalism who saw in war the breakdown of internationalism and further strengthening of the power and authority of the capitalistic class. There was current, of course, the belief that enemy agents worked out their plans through these radical groups of internationalists.

1. THE SOCIALIST PARTY AND THE WAR

The attitude of the so-called radical groups toward the war was clearly expressed in the declaration by the Socialist Party of the United States, which reads in part as follows:

The Socialist Party of the United States, in the present grave crisis, solemnly reaffirms its allegiance to the principle of internationalism and working-class solidarity the world over, and proclaims its unalterable opposition to the war just declared by the government of the United States.

Modern wars as a rule have been caused by the commercial and financial rivalry and intrigues of the capitalist interests in the different countries. Whether they have been frankly waged as wars of aggression or have been hypocritically represented as wars of defense, they have always been made by the classes and fought by the masses. Wars bring wealth and power to the ruling classes and suffering, death, and demoralization to the workers.

Our entrance into the European war was instigated by the predatory cap-

italists in the United States who boast of the enormous profit of seven billion dollars from the manufacture and sale of munitions and war supplies and from the exportation of American foodstuffs and other necessities.

We brand the declaration of war by our Government as a crime against the people of the United States and against the nations of the world.¹

In addition to the above, the majority report of the St. Louis convention recommended, among other things, "Conscious, active, and public opposition to the war, through demonstrations, mass petitions, and all other means within our power."

Altho it is generally conceded that enemy propaganda was partly responsible for the antagonistic reaction of labor to the war, a scientific analysis of labor unrest must seek a satisfactory explanation of labor's state of mind in a complexity of causes. Doubtless enemy propaganda was one of the basic causes of disruption of industry, but there was ample evidence of the fact that unscrupulous employers were overworking this explanation in an attempt to conceal from the public eye the more fundamental and permanent industrial conditions which in the final analysis constitute the primary cause of industrial conflict in time of war as in time of peace. One need but examine the situation in the Arizona copper mines, as analyzed in the report of the President's Mediation Commission, in order to conclude that not one but a plurality of causes produced the seeming disloyalty on the part of the workers.² The commission, after an exhaustive study of labor troubles in western states during the autumn of 1917, concluded that it is to uncorrected specific evils, and the lack of a healthy spirit between capital and labor due partly to these evils and partly to an unsound industrial structure, that we must attribute recent industrial unrest. "Sinister influences and extremist doctrine may have availed themselves of these conditions; they certainly have not created them."³

In any social analysis of the reaction of the lower strata of industrial society in America toward the war two conditions must stantly be kept in mind, namely: the heterogeneous character of our population, especially in recent decades, and the undesirable conditions that for many years past have prevailed in Amer-

¹ From the Majority Report adopted at the St. Louis Convention of the Socialist Party, April 7-14, 1917, and ratified by referendum.

² See Part II, pp. 154-155.

³ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 25.

ican industries. It is a familiar fact that since 1882 approximately eighty per cent of our immigration has come from southern and eastern Europe, whereas previous to that time fully eighty per cent of our immigrants came from northern and western Europe. It has been repeatedly observed that the earlier immigration brought to us an intelligent, thrifty, skilled, and home-seeking group of people, while the latter has brought to us a heterogeneous mass of illiterate and unskilled persons who differ radically from us in language, temperament, and economic, political, social, and cultural ideals, and who, in a large number of cases, seek not a permanent home but a source of larger income which will enable them to return in seeming affluence to the lands from whence they came. Accustomed to oppression and unschooled in the responsibilities of democratic citizenship, the greater measure of freedom proffered by the New World unleashes emotions and passions long suppressed and encourages free expression of vaguely formulated ideas and as vaguely comprehended ideals. To expect unified patriotic reaction from this differentiated racial and linguistic composition is to look for the impossible in social and psychic phenomena, and such loyalty was not readily forthcoming during the war. The immigrant is not wholly to blame for his lack of devotion to American institutions, for a definite plan of Americanization of aliens is as yet only in its infancy. We have been content to exploit him for economic and political ends. In our industries he has been called by a number, and in our community life he has been nothing more than a "dago" or a "hunkie."

Equally responsible for the absence of a desirable patriotic reaction among the masses were the conditions of employment in American industries which, altho better than industrial conditions in many foreign countries, still are far removed from that state of perfection of which the immigrant dreams as he turns his face westward to the land of wealth and affluence in the New World. There is much room for improvement in our industrial conditions, and it is not strange that a vast number of our workers found little cause for that loyalty which a land of real democracy should inspire. A glance at brief statistical data will make plain what is meant. A Chicago slaughter-house in 1912 paid eighty-two per cent of its workers less than twenty cents an

hour, and the average working week consisted of thirty-seven and one-half hours. Fifty-five per cent of the men received a weekly wage of \$6.37. In the steel industry in the United States in 1910 twenty-nine per cent of the employees worked a seven-day week with a twelve-hour day, and forty-three per cent worked a twelve-hour day for six days a week. About fifty per cent of the workers — unskilled — received less than eighteen cents an hour. Eight per cent of the workers earned less than fourteen cents an hour, and twenty per cent less than sixteen cents an hour. In the same year (1910) not one of the twelve basic American industries paid the average head of a family within one hundred dollars a year of the minimum required for family subsistence, and two-thirds of the twelve paid the heads of families less than \$550 a year. Half of the wage workers' families in the United States had in 1916 an income below the requirements for subsistence.⁴

For some years much has been said of the unequal distribution of wealth in America, and the workers, knowing the facts regarding this inequality, have often listened eagerly to socialistic and syndicalistic reformers. The United States Commission on Industrial Relations observed: "The conviction that the wealth of the country and the income which is produced through the toil of the workers is distributed without regard to any standard of justice is as widespread as it is deep-seated. It is found among all classes of workers and takes every form from the dumb resentment of the day laborer who, at the end of a week's back-breaking toil, finds that he has less than enough to feed his family while others who have done nothing live in ease, to the elaborate philosophy of the 'soap-box' orator who can quote statistics unendingly to demonstrate his contentions. At bottom, tho, there is the one fundamental, controlling idea that income should be received for service and for service only, whereas, in fact, it bears no such relation, and he who serves least, or not at all, may receive most."⁵ Among the highest paid workers such as the railroad engineers and conductors, glass blowers, certain steel mill employees, and those engaged in a few of the building trades there has been an approach to a living wage, but this is not true of millions in other occupations. The same investiga-

⁴ Parker, Carlton H., *Atlantic Monthly*, Vol. 120, pp. 659, 660.

⁵ *Final Report of the Commission on Industrial Relations*, 1916, p. 30.

tion showed that from one-fourth to one-third of the male workers eighteen years of age and over, in factories and mines, were earning less than \$10 a week; two-thirds to three-fourths were earning less than \$15 a week; and only about one-tenth were earning more than \$20 a week. Lost time for any cause was not considered in these figures. From two-thirds to three-fourths of the women workers in factories, stores, and laundries, and in industrial occupations generally were working at wages of less than \$8 a week; approximately one-fifth earned less than \$4 a week; and nearly one-half received less than \$6 a week. Even more unsatisfactory were the earnings of children.⁶

An examination of the income tax returns for ten months of 1914 showed that there were in the United States at that time, 1,598 fortunes yielding an income of \$100,000 or more a year; that there were 44 families with incomes of \$1,000,000 or more, whose members perform little or no service but whose aggregate incomes, totalling at least \$50,000,000 a year, were equal to the earnings of 100,000 wage earners at the average of \$500.⁷ Statistics of income for the calendar year 1917 issued by the United States Treasury Department, Commissioner of Internal Revenue, throw further light upon the subject of incomes in this country. The following is a simple summary of the findings of the department:⁸

<i>Income classes</i>		<i>Simple distribution</i>	
		Number in each class	Per cent. of total
\$ 1,000 to \$ 2,000.....		1,640,758	47.25
2,000 to 3,000.....		838,707	24.16
3,000 to 5,000.....		560,763	16.15
5,000 to 10,000.....		270,666	7.79
10,000 to 25,000.....		112,502	3.22
25,000 to 50,000.....		30,391	.87
50,000 to 100,000.....		12,439	.35
100,000 to 150,000.....		3,302	.10
150,000 to 300,000.....		2,347	.07
300,000 to 500,000.....		559	.02
500,000 to 1,000,000.....		315	.013
1,000,000 and over.....		141	.007
Total		3,472,890	100.00

⁶ *Ibid.*, pp. 31, 32.

⁷ *Ibid.*, p. 32.

⁸ *Statistics of Income*, 1917, Treasury Department, Commissioner of Internal Revenue, 1919.

Comparing the statistics of the above summary for 1917 with the data for ten months of 1914, it is seen that whereas in the 1914 period there were 44 families with incomes of \$1,000,000 or more, the number of persons who received incomes of that size in 1917 totalled 141, an increase of about 320 per cent. The statistics for 1917 indicate that in that year there were 6,664 persons receiving incomes of \$100,000 or more, of whom 3,302 were receiving incomes of \$100,000 to \$150,000 and 2,347 were receiving incomes of \$150,000 to \$300,000.

Professor W. I. King has estimated that the poorest class of our population (those who possess little or no property except furniture, clothing, and personal belongings) constitute sixty-five per cent of the people and own only about five per cent of the wealth; the middle class, who constitute thirty-three per cent of the people, own thirty-five per cent of the wealth; the rich, who constitute two per cent of the population, own sixty per cent of the wealth. Professor King divides the middle class into the lower middle class or those having perhaps a thousand dollars worth of property, and the upper middle class or those having from \$2,000 to \$40,000 worth of property. The rich he classifies as those who have wealth amounting to \$50,000 or more.⁹ These figures imply that less than 2,000,000 people own twenty per cent more of the nation's wealth than all the other 98,000,000. The largest private fortune in the United States is estimated at \$1,000,000,000, which is equivalent to the aggregate

⁹ See King, W. I., *The Wealth and Income of the People of the United States, 1915*, Chapter v.

Dr. King's conclusions (which have been frequently quoted) are based on data as to the value of estates probated in Massachusetts and six counties in the southern part of Wisconsin for certain years. The assumption is made that conditions in these states are typical for the whole of the United States; and as there are no records for from two-thirds to three-fourths of the men dying, a round sum is assumed as the average for this large proportion of the total number taken into consideration. How far estimates which depend on assumptions of this kind may be taken as clearly indicative of actual conditions may be open to serious question. The census estimates of wealth indicate that the average wealth per family in Massachusetts has been a good deal more than for the United States as a whole, and more than is indicated by Dr. King's data. It is also probable that residents of Massachusetts own a considerable amount of property in other states, which is not taken into account in the census statistics, and would increase further the total and average wealth of Massachusetts residents.

wealth of 2,500,000 of the so called "poor" class, who own on the average about \$400 each.¹⁰

In presenting statistics of income and wealth it is necessary to warn the reader that as yet we have in this country no adequate and satisfactory method of measuring accurately the distribution of wealth, and data so presented must be looked upon as estimates rather than as exact determinations.

Government statistics of income, however, show that wealth tends to concentrate in the hands of a few. Excessive profits during the war increased both the bulk and the number of large fortunes. Sufficiently reliable statistical data concerning wealth and income are available to warrant the conclusion of a close student of the labor problem that: "It is a conventional economic truism that American industrialism is guaranteeing to some half of the forty millions of our industrial population a life of such limited happiness, of such restrictions of personal development, and of such misery and desolation when sickness or accident comes, that we would be childish political scientists not to see that from such an environment little self-sacrificing love of country, little ethics, little of gratitude could come."¹¹

Modern behavioristic psychology, in its analysis of the peculiar state of mind evidenced by seemingly irresponsible individuals who accept eagerly the class philosophy of such social groups as the Industrial Workers of the World, cannot fail to discover a basic causal relationship between the economic conditions described above and the spread of radicalism. We do not mean to imply that these anti-social traits have no basis whatsoever in the hereditary equipment of the individual. It is generally recognized by modern social psychologists that many persons are by virtue of temperament susceptible to suggestions of any form of radicalism and anti-social philosophy and activity. This state of mind can be explained partly in terms of hereditary characteristics, but it would seem that its explanation must be sought more in the social, economic, and political environment in which it is manifested than in peculiar physical processes of metabolism. Brief consideration of the quantitative character of the common labor groups in American industry will give a little different approach to the psychosis of the mass of workers in rela-

¹⁰ *Final Report of the Commission on Industrial Relations*, 1916, p. 33.

¹¹ Parker, Carlton H., *Atlantic Monthly*, Vol. 120, p. 662.

tion to their reaction to a national emergency like the recent war.

It has been estimated that in 1910, of the 30,091,564 male workers in the United States who were listed as breadwinners, approximately 10,400,000 were engaged in that unskilled labor from which is recruited the migratory class that swell the ranks of the Industrial Workers of the World.¹² It is further estimated, moreover, that of about 35,000,000 men, women, and children engaged in gainful occupations,¹³ 13,000,000 are engaged in occupations that lend themselves to the formation of trades-unions; that of these 13,000,000 approximately 3,000,000 are organized, leaving about 10,000,000 outside the pale of trades-unionism.¹⁴ It is not so difficult to understand the absence of patriotism and a profound sense of loyalty on the part of these millions of workers when one recalls that they constitute the nation's uneducated and unskilled labor whose wages often fail to guarantee even the requirements of subsistence, whose hours and conditions of employment do not conduce to health and efficiency, and who are forced to accept these wages, hours, and conditions because of ignorance of the labor market, lack of intelligent leadership, and the disastrous competition arising out of the actual or potential supply of their own kind which has made successful organization and collective bargaining impossible. Compelled to bargain individually with the employer this mass of unskilled workers has suffered the inevitable consequences — injustice and exploitation.

Here, then, was fertile soil for the seed of radicalism — a group of minds representing every nationality and temperament in the melting pot, susceptible to the concept that war is born of commercialism and is designed to make cannon fodder of the masses and idle rich of the bourgeoisie. It was not strange that these people, so well acquainted with the sinister power of what they term industrial autocracy, should see in war no rainbow of promise for the oppressed proletariat of the world. To teach them the deeper significance of the great struggle between autoc-

¹² Parker, Carlton H., *Atlantic Monthly*, Vol. 120, p. 659.

¹³ Most estimates put the total number of gainfully employed persons at 40,000,000. The number of organized workers in the United States today is probably nearer 5,000,000 than 3,000,000.

¹⁴ Secretary of Labor Wilson, *United States Employment Service Bulletin*, July 31, 1918, p. 6.

racy and democracy, between the philosophy of "Might is Right" and the principle that right makes might was no simple task. The task was the more difficult because the masses were less interested in political democracy than in industrial democracy, and because the overthrow of the political autocracy was of far less importance to them than the banishment of industrial autocracy. They did not hesitate to point out that even in democratic America there is a foe more dangerous to the proletariat than the Kaiserism of Potsdam ever could be — industrial despotism. The only war in which they are interested is a class war, and for them that war will continue regardless of the form of political government, until international industrialism is established and the proletariat succeed the capitalistic class in the ownership and control of the instruments of production.¹⁵

To fulfill successfully its great part in the war the United States needed the full coöperation of the skilled and the unskilled workers. The possibility of enlisting their support was decidedly remote, however, so long as there was prevalent among them the idea — which was not without some foundation — that the war was being made a pretext for widespread profiteering and was producing enormous profits for business enterprisers. To counteract the anti-war philosophy and to enlist the workers' coöperation the government found it necessary to place before them the fundamental issues of the war. Speaking of this matter sixteen months after we had entered the conflict, Secretary of Labor Wilson stated that: "one of the first things we had to deal with . . . was to change that attitude of mind [that all wars are capitalistic in character] on the part of the wage-workers of the country, first through the great leaders of the trades-union movement, and then to the rank and file. . . We had to carry that story to these people through the West, the Middle West, the Far West, and the Pacific Coast — in order to offset the philosophy that they [the I. W. W. leaders] were preaching." ¹⁶

¹⁵ See the preamble to the Constitution of the Industrial Workers of the World; the Manifesto of the Socialist Party, 1919; the Manifesto and Program of the Communist Party of America, 1919; and the Program of the Communist Labor Party of the United States, 1919.

¹⁶ *U. S. Employment Service Bulletin*, July 31, 1918, p. 6.

2. LABOR AND PRODUCTION

As a result of the radical ideas that were permeating the ranks of labor, and of certain undesirable conditions of employment, the production of essential war supplies was repeatedly interrupted. At a conference of shipbuilders and shipworkers called by the National Shipbuilding Labor Adjustment Board in Philadelphia several months after we entered the war, a representative of a large shipbuilding company stated that the men were loafing in the yards; that his company was five months behind in turning out government contracts because the men would not work. The only solution he thought was for the government to give the shipyards military protection to serve, of course, as a sort of *vis a tergo*. To this suggestion of military aid a representative of labor retorted that we are not living in Russia.¹⁷ This criticism of labor inefficiency was merely the echo of the general denunciation of labor voiced in newspapers and trade journals. It was said that the workmen remained at their jobs for a six day period or only long enough to accumulate sufficient amounts to enable them to idle for extended periods, and that the ten per cent bonus paid under the authority of the United States Shipping Board to men working six days a week was, therefore, not producing the desired results.¹⁸ Labor's policies and methods were considered the greatest menace in the country¹⁹ and, due to the insistence of the unions in taking advantage of the situation to urge an eight-hour day "and other measures calculated to reduce rather than increase the output," the weekly per capita production of skilled labor was said to have steadily declined following our entry into the war.²⁰

The above criticisms of labor's policies in war-time were voiced by representatives of the employing class who may have unduly denounced labor's methods and policies. For this reason some may question the validity of their attacks upon labor. But even impartial observers of the labor situation during the early months of the war concluded that the spread of strikes and general industrial unrest was embarrassing to the cause which the

¹⁷ *Iron Age*, Vol. 101 (No. 3), p. 235.

¹⁸ *Ibid.*, Vol. 101 (No. 5), pp. 332, 333.

¹⁹ *Ibid.*, Vol. 101 (No. 8), p. 496.

²⁰ *Ibid.*, Vol. 101 (No. 5), pp. 359, 360.

nation had championed. The President's Mediation Commission, whose work is described in detail elsewhere in this study,²¹ in its investigation of the labor situation in the West during the early months of our active participation in the war found that effective conduct of the nation's war program was suffering needlessly because of: (1) interruption of work due to actual or threatened strikes; (2) purposed decrease in efficiency through the "strike on the job;" (3) decrease in efficiency due to labor unrest; and (4) dislocation of the labor supply.²² The commission, however, attributed the disruption of production, not to any wilful disloyalty or un-Americanism on the part of labor, but to very serious and fundamental and unremedied but remedial defects in our industrial system. There is no reliable statistical proof of conscious inefficiency on the part of labor during the war, but personal observation of industrial and construction work, especially in the construction of army cantonments, indicated that "soldiering on the job" was a common practice.

Whatever the cause — whether conscious disloyalty on the part of labor, or certain fundamental deficiencies in our industrial organization — the fact remained that the nation's war work was being retarded, if not disrupted, because of labor difficulties. The declaration of war seemed a signal for a general presentation of labor's demands for shorter hours, higher wages, recognition of the union, better condition of labor, etc. At one time railroad employees filed with the Railroad Wage Commission a demand for increased wages aggregating \$500,000,000, or about one-half of the operating income received by the roads in the fiscal year 1917, and this involved increases for the various groups of laborers of from twenty to sixty per cent.²³ The efficiency of the shipyard employees of the country was said to have been reduced about thirty or fifty per cent because of purposeful idling.²⁴ Strikes had become so general and menacing that early in March, 1918, a bill was introduced in the House of Representatives making it a crime for workmen to conspire to prevent the production of war materials, thus forbidding strikes in munition plants. This measure was passed by a vote of 255 to 50,

²¹ See Part II, pp. 150-155.

²² *Official Bulletin*, February 11, 1918, p. 14.

²³ *Iron Age*, Vol. 101, (No. 6) p. 392.

²⁴ *Ibid.*, Vol. 101, (No. 7) p. 450.

but later proved unacceptable because of certain amendments insisted on by labor advocates which made it a feeble instrument in suppressing strikes. However, a bill known as the Sabotage Act, entitled "An Act to punish the wilful injury or destruction of war materials, or of war premises and for other purposes" was signed by the President on April 23, 1918. Like the previous measure this Act imposed a maximum fine of \$10,000 or imprisonment of not more than thirty years, or both, for wilful injury or destruction of war material, war industries, or war utilities.²⁵ According to the Department of Justice, this was the most important and sweeping of all war statutes relative to hostile or anti-war activities.²⁶ Many other measures were introduced and some were passed which were designed directly or indirectly to prevent industrial violence and syndicalistic propaganda.

Among the important measures designed to prevent the spread of disloyalty, one which organized labor feared might be aimed indirectly at its several functions was Senate Bill 4471 introduced by Senator Walsh of Montana, on May 2, 1918, and passed by the Senate on May 6, 1918.²⁷ It declared unlawful associations purposing by physical force, violence, or injury to bring about any governmental, social, industrial, or economic change in the United States, and prescribed punishment for persons engaged in the activities of such associations, and for other purposes. The measure provided that any association, organization, society, or corporation, one of whose purposes or professed purposes was to bring about any governmental, social, industrial, or economic changes within the United States by the use, without authority of law, of force, violence or physical injury to person or property or threats of such injury to accomplish such change for any other purpose, and which, during any war in which the United States is engaged, should by any means prosecute or pursue such purpose or professed purpose, or should teach, advocate, advise, or defend the same, should be declared to be an unlawful association. Any persons who acted or professed to act as officers or representatives of such association, or wrote,

²⁵ Public No. 106, 65th Congress, second session.

²⁶ *Official Bulletin*, April 26, 1918, p. 3.

²⁷ *Report of the Proceedings of the Thirty-eighth Annual Convention of the American Federation of Labor*, 1918, pp. 121, 122.

published, or spoke anything in defense thereof, or who contributed anything as dues or otherwise should be punished by imprisonment for not more than ten years or by a fine of not more than \$5,000, or by both such fine and imprisonment. Even a person who granted use of premises for assemblage of persons who planned any governmental, social, industrial, or economic change was to be punished by imprisonment of not more than one year, or a fine of not more than \$500, or both.

The sponsor of the above measure took care to explain that it was not intended in anywise to affect the legitimate organization of labor.²⁸ The formulation of the measure, however, was doubtless aimed at the organization and activities of the Industrial Workers of the World, the Nonpartisan League, and similar organizations which were decidedly active in the State of Montana — the home of Senator Walsh — and other western states. About that time the hanging of Frank Little, a labor agitator in Butte, Montana, caused some consternation in the ranks of American labor, and led to many demonstrations against the revival of the "illegal, coercive" methods of the Vigilantes and Loyalty Leagues.

3. LABOR CONSCRIPTION PROPOSED

A member of the British Labor Commission which visited the United States in 1917 stated that if there had been one-eighth of the labor troubles in Great Britain that were current in the United States, his country would have been forced to conclude a disgraceful peace with Germany.²⁹ That the magnitude of labor unrest in this country commanded the attention not only of foreign observers but of our own statesmen and government is evidenced both by legislation designed to remove any conditions likely to embarrass our war program, and by widespread agitation for labor conscription. The almost incessant stream of strikes and the prevalence of sabotage propaganda led to a demand by employers and politicians, and quite generally by the press, for legislation providing for conscription of labor during the period of the war. Among the ardent supporters of labor conscription were Senators Sherman of Illinois, Nelson of Min-

²⁸ *Ibid.*, p. 122.

²⁹ Quoted by Senator Nelson at a meeting of the Senate Commerce Committee, December 26, 1917. *Chicago Tribune*, December 27, 1918.

nesota, Bankhead of Alabama, Smoot of Utah, and Fall of New Mexico. These statesmen predicted that conscription of labor would be effected in the United States before the war ended; that if conscription of labor was not provided for by law it must be done as a military measure; otherwise the United States would go down to defeat in the war and our boasted liberty would amount to nothing.³⁰

The essence of the argument advanced by labor conscriptionists was that conscription of labor constitutes no greater violation of individual rights than does compulsory military service under the selective draft law. To this contention — admittedly having some logical basis — those who opposed it retorted that conscription of labor must be accompanied by a similar conscription of wealth.

From a complexity of causes, including the absence of a well defined governmental war labor policy, the labor situation was assuming a very serious aspect, but those persons who were directly responsible for the execution of the nation's production program were not favorably impressed with the suggestion for labor conscription. Their attitude was based on: first, the position that conscription of labor would logically necessitate a similar conscription of wealth; and, second, the ground that compulsory drafting of workers would be inexpedient and impracticable, for it would arouse the resentment of the labor forces and result in marked decrease in labor efficiency, if not in open rebellion. Mr. Raymond B. Stevens, vice-chairman of the United States Shipping Board and treasurer of the Emergency Fleet Corporation, stated to the members of the Senate Commerce Committee at its meeting on December 26, 1917, that altho the corporation would soon need 300,000 additional laborers to complete its program during 1918, he was sure that American labor would do more for the country if it were not coerced than it would "with a bayonet at its back," for the latter policy would instigate a general uprising of labor.³¹ The chairman of the Shipping Board, Mr. Edward N. Hurley, a few months later — March 26, 1918 — in his address before the National Marine League at New York, expressed a similar opinion,³² and a like

³⁰ *Chicago Tribune*, April 12, 1918.

³¹ *Ibid.*, December 27, 1917.

³² *Official Bulletin*, March 27, 1918, p. 13.

position with regard to labor conscription was voiced by Secretary of the Navy Daniels in his address before the American Alliance for Labor and Democracy at New York, February 22, 1918.³³

Regarding the labor troubles that confronted the nation and the proposal for labor conscription, Secretary of Labor Wilson in his annual report stated the following:

With the coming of the war, traditional cleavages between employers and wage earners were accentuated. The Department is of course aware of proposals, more popular earlier in the war than now, to settle labor disputes by coercing wage earners. But these proposals are both unfair and impracticable. They are also widely regarded, and not without reason, as unpatriotic. It is enough to say of them here that in the view of this Department public sentiment cannot be expected to tolerate conscription of labor for private profit. Should industrial conscription become really necessary in order effectively to prosecute the war, a policy less likely to be considered one-sided would be desirable. It would seem—that is, if workers were to be conscripted for industrial purposes—that the working opportunities to which they were assigned ought to be commandeered, so as to make such workers not coerced servants but employees of the Government itself.

There is, however, no reason for apprehending a necessity for any kind of labor conscription in order to settle or prevent disputes between employers and their employees which may interfere with a vigorous prosecution of the war.³⁴

The unmistakable opposition of leading government officials to the plan for conscription of labor, together with the united resentment of the leaders and the rank and file of labor proved sufficient barriers to its adoption, and most of the agitation for legislation along these lines died as rapidly as it had been born, altho there were many persons in private and in public life who still cherished the conviction that such a policy was necessary and just.

4. THE LOYALTY OF LABOR

The general impression one receives from reading the facts and opinions presented in the preceding pages would seem to be that labor's loyalty in the war was of an uncertain if not questionable nature. Thus far the case appears to have been against labor. Can nothing be said in defense of the loyalty of that conspicuous majority of labor leaders and workers who, ostensibly at least, constitute the more conservative elements in our

³³ *Ibid.*, February 25, 1918, p. 7.

³⁴ *Fifth Annual Report of the Secretary of Labor*, 1917, p. 159.

laboring population? Here we shall have to examine the opinions and activities of these men, verifying them wherever possible with data and observations from unprejudiced sources.

To the student of social philosophy one of the most interesting phenomena of the war was that during the war a change of attitude was evidenced by many recognized leaders of labor, both radical and conservative. This changed point of view took place among many exponents of proletarian interests in every belligerent country. Not a few leaders in the thought and activity of the Socialist party in every country deserted the pacific position of pre-war days and vowed unquestioned loyalty to their respective governments. The Socialists of Germany were frequently accused of alliance with the autocratic defenders of the former economic and political systems, and many of the Socialist leaders of France and Great Britain supported their respective governments in the prosecution of the war. Abundant evidence exists of the validity of the observation made in a recent historical analysis that: "The Radicals and Unified Socialists rallied to the support of the government with the other parties and France presented a united front to the invader," while in Germany: "The Socialists rallied to the support of the government, and in deeper patriotism sloughed off the superficial internationalism they were so fond of professing."³⁵

In the United States, pacifists like Clarence Darrow and socialists like Upton Sinclair, John Spargo, J. G. Phelps Stokes, and William English Walling grew militant against the jungle philosophy and activities of Prussianism. It is not to be implied, of course, that these leaders of the more radical elements of society abandoned permanently their opposition to war as a method of settling international disputes. The truth seems to be that they, like many others, found in this war a justifiable basis for the use of force to crush the enemies of democracy and justice. Furthermore, many recognized leaders, like Bertrand Russell, in England, Romaine Rolland in France, Karl Liebknecht in Germany, Hillquit, Debs, Berger, and Germer in the United States did not abandon their opposition to the war.

Outside of the Industrial Workers of the World and the faithful Socialists who never retrenched from their antagonism to the war, the officials and mass of the more conservative organiza-

³⁵ Holt and Chilton, *European History*, 1862-1914, pp. 523, 524, 529.

tions of labor in the United States claimed indisputable loyalty to the government in the great emergency, and contended that the disruption of industry was due either to enemy agents or to the radical anti-war philosophy of the American syndicalists and socialists. In an attempt to ascertain the nature of the reaction of American labor to the war a personal inquiry was sent to recognized labor leaders who are in close touch with the mental attitudes of the rank and file of labor. Without a single exception the answers expressed the belief, supported with data on liberty loan investments and other manifestations of war support, that American labor was unquestionably loyal throughout the war. The following excerpt from these replies is characteristic of them all: "There is no question that organized labor has been loyal to the Government and to our country in the present war. As a matter of fact the representatives of organized labor on March 12, 1917, nearly a month before we were declared to be in a state of war with Germany, met in Washington and declared their purpose to stand squarely in back of our Government if we were drawn into the European War."³⁶ From every state in the Union similar expressions of labor's loyalty were received.³⁷

Samuel Gompers, chairman of the Committee on Labor of the Council of National Defense, as President of the American Federation of Labor called a special meeting of the executive council of the Federation for March 9, 1917, and also convened a general labor conference at Washington on March 12, 1917, to consider labor's attitude toward the war. At this conference, besides the executive council of the American Federation of Labor, there were present one hundred and forty-eight representatives of seventy-nine affiliated national and international unions, five unaffiliated organizations, and the five departments of the American Federation of Labor. Foremost among the resolutions adopted at the conference were the following:

We, the officers of the national and international trade-unions of America, in national conference assembled in the Capital of our Nation, hereby pledge ourselves in peace and in war, in stress and storm, to stand unre-

³⁶ Perkins, G. W., International President Cigar Makers International Union of America, in a personal letter to the author, April 19, 1918.

³⁷ Statements of liberty bond investments and other financial aid to the government made by the unions are not printed here, being considered confidential. For statistical evidence of labor's patriotism see the *Illinois Blue Book*, and similar records for other states.

servedly by the standards of liberty and the safety and preservation of the institutions and ideals of our Republic. . . . We, with these ideals of liberty and justice herein declared as the indispensable basis for national policies, offer our services to our country in every field of activity to defend, safeguard, and preserve the Republic of the United States of America against its enemies, whomsoever they may be, and we call upon our fellow workers and fellow citizens in the holy name of labor, justice, freedom, and humanity, to devotedly and patriotically give like service.³⁸

Many persons, not in any way connected with trades-unionism, voiced unqualified endorsement of the loyal attitude of organized labor in America. For instance, Mr. W. A. Appleton, an Englishman who made an extensive tour of 9,000 miles in the United States subsequent to our entry into the war, observed that while here and there among both employers and employed individuals were making trouble, the vast majority of the employers, as the vast majority of workers, realized the nation's need and each was doing his share to meet it without thought of personal advantage.³⁹ Edward N. Hurley, chairman of the United States Shipping Board, was convinced that the majority of laborers in the shipbuilding industry were patriotic and, with only one exception, the leaders of the shipyard crafts generally had shown a spirit of coöperation, "ready to sink their personal differences in the common pool of patriotism."⁴⁰ Like observations were made by Secretary of the Navy Daniels⁴¹ and President Wilson. The President, in his letter to William L. Hutchison, General President of the Brotherhood of Carpenters and Joiners of America, when the latter called a general strike in the shipyards, said: "The strike of the carpenters in the shipyards is a marked and painful contrast to the action of labor in other trades and places."⁴²

An examination of the official and newspaper reports of national, state, and local conventions and assemblies of trades-unions revealed a marked support of the government in the war. There were some exceptions, as pointed out above, but leaders and the rank and file of organized labor rendered patriotic service to the country. In the 1917 and 1918 conventions of the

³⁸ *First Annual Report of the Council of National Defense*, 1917, p. 74.

³⁹ *Chicago Sunday Tribune*, June 9, 1918.

⁴⁰ *Official Bulletin*, March 27, 1918, p. 13.

⁴¹ *Ibid.*, February 25, 1918, p. 7.

⁴² *Ibid.*, February 16, 1918, p. 1.

American Federation of Labor resolutions were adopted pledging full coöperation with the government in the successful prosecution of the war. The keynote of both conventions was one of indisputable loyalty.⁴³ Samuel Gompers and other recognized leaders of labor proved of invaluable service to the nation in stimulating loyalty in the ranks. Regarding the general strike which was to voice labor's protest against the decision in the famous Mooney case in California, Mr. Gompers emphatically declared that "such an attempt either to invite or order a local or general strike is unjustifiable and dangerously prejudicial to the lives of our sons and brothers fighting in France for the safety of the home, freedom, and democracy the world over."⁴⁴

Further evidence of labor's support of the nation was uncovered shortly after we declared war. In May, 1917, a convention was called in New York by the so called Workingmen's Council to consider protection of labor's interests during the war. This Council was manifestly a branch of the People's Council, an organization that seemed to be under the domination of forces not in harmony with the government and the policy declared by the authorized representatives of the people in the war. Aided by the foreign press, whose policies and activities were to further the interests of the enemies of western democracy, this Council disseminated discord and anti-war propaganda, and in this instance sought to incite unrest among the laborers of New York City. President Gompers met the Central Federated Union of New York City and exposed the danger of sending delegates to the convention called by the Workingmen's Council. The Union disapproved of the convention and formed what became known as the American Alliance for Labor and Democracy. As the activities of the Workingmen's Council were carried to other states in the mission of creating unrest, so the American Alliance heralded throughout the nation its simple declaration that:

It is the sense of this conference that it is the duty of all the people of the United States, without regard to class, nationality, politics or religion,

⁴³ See *Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor*, 1917, pp. 318, 319, and the same for the Thirty-eighth Annual Convention, 1918, pp. 86, 87.

⁴⁴ *Chicago Tribune*, April 23, 1918. See also *American Labor and the War*, by Samuel Gompers.

faithfully and loyally to support the government of the United States in carrying the present war for justice, freedom, and democracy to a triumphant conclusion, and we pledge ourselves to every honorable effort for the accomplishment of that purpose.⁴⁵

To thwart the insidious efforts of enemy forces, the Alliance held a conference at Minneapolis in September, 1917. Among the many declarations of the conference was the following:

The American Alliance of Labor and Democracy, in its first national conference, declares its unswerving adherence to the cause of democracy, now assailed by the forces of autoeracy and militarism. As labor unionists, social reformers, and socialists, we pledge our loyal support and service to the United States government and its allies in the present world conflict. We declare that the one overshadowing issue is the preservation of democracy; either democracy will endure and men will be free, or autoeracy will triumph and the race will be enslaved. . . . We declare that the great war must be fought to a decisive result; that until autoeracy is defeated there can be no hope of an honorable peace, and that to compromise the issue is only to sow the seed for bloodier and more devastating wars in the future.⁴⁶

It should not be inferred from the above evidence that conservative unionism was always in complete agreement with the policies of the government, or that it at no time or place committed acts prejudicial to the national welfare. The legislative committee of the American Federation of Labor appeared before the Military Affairs committees of the House of Representatives and of the Senate and "vigorously opposed the adoption of the law which carried with it conscription of men for military service," and Mr. Gompers addressed a communication to those committees stating that the labor movement stands firmly by the voluntary principle and urging the rejection of conscription.⁴⁷ When military conscription was embodied in law, however, the American Federation of Labor seems not to have said or done anything to hinder its enforcement. That numerous strikes, even by so-called conservative unions, frequently endangered the nation's war program will be seen from facts recorded in the following pages. In general, however, it can be said that American labor showed decided loyalty to the government during the great war, and that wherever and whenever it became violent or restive there

⁴⁵ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor, 1917*, p. 95.

⁴⁶ *Ibid.*, p. 98.

⁴⁷ *Ibid.*, p. 112.

appears to have been industrial or larger economic conditions operating as an unmistakable cause of seeming disloyalty. We do not mean to imply that labor was at all times patriotic, for an examination of industrial disputes will show that labor was often guilty of conscious interruption of work with a view to forcing acceptance of demands not always justified in the light of prevailing conditions of employment. The evidence which we have been able to gather, however, warrants the conclusion that, while many socialistic and syndicalistic adherents unreservedly opposed our participation in the war and hindered the nation's war program whenever possible, the vast majority of American labor supported the government without reservation, and any charges of general disloyalty were as unfounded as they were vicious.

CHAPTER III

LABOR CONDITIONS IN RELATION TO PRODUCTION

In the preceding pages we have tried to show that: (1) the economic reorganization occasioned by the great war was characterized by centralization of control and coördination of administration, but that such centralization and coördination were not characteristic of our methods in dealing with the labor problem until almost a year after we had been at war; and (2) that the anti-war reaction on the part of a large number of workers was due to a complexity of causes, chief among which were the spread of enemy propaganda, the dissemination of the anti-war philosophy of radical forces, and certain economic conditions in American industries. We attempted to point out in this regard that an examination of the evidence led to the conclusion that the conservative workers and labor leaders of the United States were generally loyal to the government, altho there were many exceptions. In the remainder of Part I of this study it is our purpose to examine the elements in the labor problem and to analyze the causes of industrial unrest during the war period.

The nature of the labor problem in the United States during the recent war was not very different from what it has always been in normal times. We say "not very different" advisedly, for there were some elements in the war labor situation which were uncommon. The war, as novel in many respects as it was great, gave rise to innumerable strange situations and readjustments in the economic, social, and political life of participating nations, and had a marked effect upon industrial relations which constitute, in the final analysis, the labor problem. Perhaps no other war has done so much to strengthen the position of the world's common laborers and to promote the feeling of solidarity. Moreover, the indispensability of labor in the protection of national welfare and in the execution of a national program was never more fully realized. The other aspects of the problem in the recent period were the usual ones greatly magnified, due to

the extraordinary economic and social conditions incident to the war. These familiar elements were the struggle for higher wages, better conditions of employment, shorter hours, demands for recognition of the union, and the establishment of other industrial relations in keeping with the rights and conducive to the dignity of labor. But in its demands labor was more insistent than ever before. These causes of labor unrest are discussed in a later chapter. Before examining the conditions that were conducive to friction in industrial relations, it is necessary to consider the more general aspects of the labor problem that affected production.

Among the most important phases of the labor problem during the last four years were the following:

1. The supply and distribution of skilled and unskilled workers.
2. Labor migration and labor turnover.
3. Variation in wage scales and the necessity of wage standardization.
4. Housing and transportation facilities for the greatly concentrated masses of workers in war industries.
5. The need for increasing and maintaining labor efficiency.
6. Replacement of men workers by women and children, especially in war industries.
7. The tendency to break down labor safeguards.
8. The problem of industrial unrest.

There is not sufficient space within the limits of this brief study to make an exhaustive analysis of each of these several aspects of the labor problem, and only sufficient analysis will be made to form an adequate basis for scientific conclusions.

1. THE LABOR SUPPLY AND ITS DISTRIBUTION

A great deal of controversy and divergence of opinion centered about the question of labor shortage in the United States during the first ten months of our participation in the war. Immediately after the declaration of war by the government the representatives of the great industries, such as the steel, copper, lumber, iron, and textiles, were lamenting the deficiency in the supply of unskilled labor, and attempted to arouse the administrative officials of the government as well as public opinion to the need of removing restrictions on immigration of oriental and

other laborers. Representatives of the United States Department of Labor, on the other hand, just as emphatically maintained that no labor shortage existed for the country as a whole, and that the problem was not one of increasing the labor supply but of a more scientific distribution of the existing labor forces. This diversity of opinion between the representatives of industry and those of the Department of Labor necessitates brief examination of the facts.

(1) *Conditions Affecting the Supply of Labor.* In a period of war two conditions arise which diminish a nation's labor supply, especially of unskilled labor. There is a big decrease in the tide of immigration which in normal times furnishes a constant stream of workmen for industries, especially in countries like the United States, and a rapid withdrawal of men from the nation's industries for the army and navy. Of 20,000,000 persons engaged in gainful occupations in Great Britain at the beginning of the war, 5,000,000 were quickly taken away for the army, leaving the labor supply twenty-five per cent short.¹ Later the British government was forced to recall a large force of skilled workmen in order to maintain the industrial life at home. British experience caused much anxiety in the industrial circles of the United States when it became apparent that a long war was imminent and that as a consequence there would be an unprecedented shrinkage of the labor supply, especially with the passage of the selective draft law. Threatened if not actual depletion of the ranks of labor is a conceded possibility in war-time, and the fears entertained by our industrial leaders were, therefore, not without some justification. Secretary of Labor Wilson, however, attempted to quiet all apprehension of a labor shortage. Early in January, 1918, he stated that America's situation was quite different from that of England. Altho admitting that the selective draft was bound to make inroads on our labor supply and to interfere to some extent with industry, Mr. Wilson pointed out that the United States has 35,000,000 workers, of whom only 1,500,000 would be taken in the first year of the war—a number less than the total of unemployed in normal times.² Whatever comfort this explanation of the

¹ Secretary of Labor Wilson quoted in the *Chicago Tribune*, January 10, 1918.

² *Ibid.*

Secretary of Labor contained for the leaders of industry was almost dissipated when the Committee on Military Affairs of the United States Senate soon afterwards estimated that the government's tentative military program called for 4,000,000 men in the field and an additional 4,000,000 in the cantonments at home from which to fill depleted ranks in France.

It was believed by some that the expansion of war industries, which necessitated a large addition to the labor supply, would be counterbalanced by a corresponding contraction of non-war or non-essential industries. But the immobility of both capital and labor, coupled with the reluctance of business enterprises to slow down or postpone production of non-essential commodities, precluded any such complementary contraction in the production of goods of this character. Of course, the falling off in demand for non-essentials forced the curtailment of their production to considerable extent and so released labor for war industries, but there was little evidence of a reduction in the consumption of non-essentials sufficient to affect seriously the shifting of labor forces. On the contrary it was true that never had labor in this country been so well paid and so prosperous as during the war period, and this in itself contributed greatly to the buying power in the retail trade and tended to steady the retail markets which naturally would be affected by the restrictions of non-essential production.³ We were too far removed from the scene of conflict to feel strongly the necessity of decreased consumption of non-essential commodities, and government action was necessary to curtail the production of such goods. On the whole, the demand for labor increased. American industry responded wonderfully to the needs of production and capital was readily provided for the necessary industrial expansion, but an acute situation developed in the threatened if not actual shortage of labor.

The inevitable increase in production resulted in a corresponding increase in the demand for labor, skilled and unskilled. There soon appeared feverish competition for workmen, and great inequality in wage scales resulted, giving rise to unprecedented increase in labor turnover. The problem resolved itself into the following forms: (a) Securing an additional supply of labor for war industries; (b) devising means and methods of

³ See *Annual Crop Report and Business Review*, Continental and Commercial Bank of Chicago, 1918.

keeping the labor supply when once it was secured; (c) equipping and training laborers for their respective tasks in the given industry, which called for labor dilution.

The second condition affecting the labor supply was the decrease in the volume of immigration into the United States. The following statistics showing the ebb and flow of the tide of immigration during the last eight years give us a basis of comparison of the war period with the pre-war period.

TABLE I. SHOWING THE TOTAL ANNUAL IMMIGRATION INTO THE UNITED STATES, THE TOTAL ANNUAL DEPARTURES, AND THE NET ANNUAL ADDITION TO THE POPULATION FOR THE PERIOD 1910 TO 1917 INCLUSIVE ⁴

Year ⁵	Total No. of Immigrants Arrived	Total No. of Immigrants Departed	Net Addition to Pop- ulation of the U. S. per Immigration
1910	1,041,570	202,436	839,134
1911	878,587	296,666	582,921
1912	838,172	333,262	504,910
1913	1,197,892	308,190	889,702
1914	1,218,480	303,338	915,142
1915	326,700	204,074	122,626
1916	298,826	129,765	169,061
1917	295,403	66,277	229,126
Total	6,095,630	1,843,008	4,252,622 ⁶

From the above statistics it will be seen that the total number of immigrants arriving in the United States during the fiscal years 1910 to 1914 inclusive was 5,174,701, or an average of about 1,034,940 a year; the total number of immigrant arrivals for the fiscal years 1915 to 1917 inclusive was 920,929, or a yearly average of about 306,976. This means an average annual decrease of 727,964 during the latter, as compared with the former period. The total number of alien immigrants that left our shores during the earlier period (1910-1914) was 1,442,892, or a yearly average of 288,578, as against a total of 400,116 for the

⁴ Compiled from the *Statistical Abstract of the United States*, 1910 to 1917 inclusive.

⁵ Figures are for the fiscal year in each case.

⁶ Since this table was compiled the statistics for 1918 have been made available. During the fiscal year 1918 the number of immigrant aliens admitted was 110,618, and the departures totalled 94,585, making a net addition to our population through this source of only 16,033. *Annual Report of the Commissioner General of Immigration*, 1918, p. 55.

latter period (1915-1917), or an annual average of 133,372. That is, during the latter period there was an average yearly decrease of 155,206 in the number of immigrants who departed for their native lands. The total net addition to our population during the period 1910-1914 was 3,731,809, a yearly average of 746,361, while the total for the period 1915-1917 was 520,813, a yearly average of 173,604. This means that of the total net addition of 4,252,622 to our population for the eight year period 87.7 per cent was added in the first five years and 12.3 per cent during the last three years, a decrease of about 75 per cent for the latter period. In 1918 the number of immigrant aliens admitted totalled 110,618, while the total number of those who left our shores was 94,585, making a net addition to our population of only 16,033 through this source.⁷ These data justify the conclusion that the United States during the war did not receive through immigration the customary or normal annual addition to its labor supply, and that this condition had a marked influence upon the problem of labor shortage in American industries.

(2) *The Labor Shortage.* The representatives of American industries whose products were necessary to successful prosecution of the war continued to warn the country of the impending if not actual labor shortage. Judge Gary, chairman of the United States Steel Corporation, in an address before the Commercial Club of Chicago, early in June, 1917, voiced the general conviction of industrial leaders. Among other things he pointed out that: (a) There existed a great need for both skilled and unskilled labor, especially the latter; (b) to the extent that workmen are lacking in number, wealth and raw materials are without value; (c) to meet this labor shortage the United States should bring a supply of workmen from the islands — Porto Rico, Virgin Islands, etc. — and from oriental countries.⁸ Trade journals and the daily press generally expressed the same opinion, asserting that labor constituted the crux of the whole problem of production.

The first war labor survey made by the United States Employment Service covered conditions in the state of New York. It included the war industries of forty-one cities, and found a

⁷ *Annual Report of the Commissioner General of Immigration*, 1918, p. 55.

⁸ *Iron Age*, Vol. 101, (No. 2) p. 137.

scarcity in some and a surplus in others. Two hundred factories were visited, representing employment of 261,117 persons. Of these, 176 were calling for 34,155 workers — the call extending to June, 1918. Skilled workers were requested in three-fourths of the cases; women laborers in a little over one-tenth; and unskilled male labor in about one-seventh.⁹ In normal times mechanical forces at the naval yards and other naval establishments aggregate about 22,000 artisans, helpers, and common laborers. In four months ending July 31, 1917, the total number increased to 35,000.¹⁰ Approximately 300,000 mechanics were soon needed by the shipyards of the country.¹¹ By January, 1918, the need for common laborers was such that the United States Employment Service arranged to bring 110,000 laborers from Porto Rico and the Virgin Islands.¹² The Employment Service announced that American war industries were short between 300,000 and 400,000 common laborers,¹³ and later that 500,000 were badly needed.¹⁴ On July 29, 1918, John B. Densmore, Director General of the Employment Service, estimated that within the subsequent twelve months between 3,000,000 and 4,000,000 workmen of all kinds would be needed, in addition to those then engaged in war industries.¹⁵ This shortage of labor was not confined to the manufacturing establishments of the country; it was felt just as keenly in the agricultural regions during the seeding and harvesting seasons of 1917 and 1918. In the West the need for farm help was so great that even the California State Development Board favored importation of experienced Chinese farmers into the state for the period of the war¹⁶—a very radical departure for a California body. It has been estimated that it took from six to ten workers in the rear to maintain one soldier in the trenches,¹⁷ which, if the estimate is correct, gives some idea of

⁹ *Official Bulletin*, January 11, 1918, p. 4.

¹⁰ *Monthly Review*, U. S. Bureau of Labor Statistics, September, 1917, pp. 74-76.

¹¹ *Official Bulletin*, May 11, 1918, p. 8.

¹² *Ibid.*, January 24, 1918, p. 1.

¹³ *Daily Pantagraph*, Bloomington, Illinois, June 28, 1918.

¹⁴ *United States Employment Service Bulletin*, August 6, 1918, p. 3.

¹⁵ *Monthly Review*, U. S. Bureau of Labor Statistics, March, 1918, p. 77.

¹⁶ *Iron Age*, Vol. 101 (No. 2), p. 150.

¹⁷ Secretary of Labor Wilson, *U. S. Employment Service Bulletin*, July 31, 1918, p. 6.

the importance of the labor supply. The problem became more serious, and during the week ending July 27, 1918, thirty-four out of forty-eight states faced a serious labor shortage of unskilled workers.¹⁸

The following statistics issued by the United States Employment Service in the spring of 1918, indicate the gravity of the problem of labor scarcity:

WAR LABOR NEEDS ¹⁹	
War construction	709,184
Army personnel, civilian workers.....	185,000
Shipbuilding	278,125
Housing	30,000
Munitions	878,800
Mines	165,916
Railways, tracks and shops.....	35,000
Farm labor	1,646,931
Total	3,928,956

Much of the need revealed in the table above was for skilled or semi-skilled workers, the supply of whom was very limited. It was pointed out by government officials that for want of necessary training the output of more than 7,000,000 of the 10,000,000 workers engaged in manufacturing industries was less than thirty-five per cent of what it could have been without speeding up or exploitation, due to the fact that the men were unfitted for the tasks to which they were assigned.²⁰ This lack of trained workmen contributed much to our war labor problem, as it does to the labor situation in normal times. For example, of 6,000 American manufacturing establishments, each employing groups of more than 250 persons, facilities for part-time instruction were not available in 300 of them.²¹ To meet this general need for trained workers the United States Training and Dilution Service was established, while the United States Employment Service assumed the responsibility for the general adjustment of the problem of labor supply and distribution.

(3) *A Problem of Distribution.* Altho the above statistics seem to indicate a serious labor shortage, government officials

¹⁸ *United States Employment Service Bulletin*, July 31, 1918, p. 9.

¹⁹ U. S. Department of Labor, Information and Education Service, *Bulletin* on "Employment Questions," by Charles T. Clayton, p. 12.

²⁰ U. S. Department of Labor, Training Service, *Bulletin* No. 9, p. 3.

²¹ *Ibid.*, p. 5.

denied that such a shortage existed for the country as a whole. After a survey of the labor needs of the country early in January, 1918, the Employment Service contended that, taking the country as a whole, there was at that time no real shortage of labor. The demand of employers seeking workmen and the number of workmen seeking employment were substantially equal. Except for temporary inconveniences every willing and able worker could be employed during the current year and the needs of industry could in a reasonable time be filled practically to 100 per cent.²² The director of the service believed our problem to be one of proper distribution of the existing supply; furthermore, he believed that labor conscription was both impracticable and unnecessary.²³

It was a matter of common observation that if England, France, and Germany, with several times as many laborers withdrawn for the army and navy, could still supply war materials and support to a large extent their civil populations, it was absurd to speak of a labor shortage in the United States which has so much larger laboring population and as yet had given by no means as many men to military and naval service.

The conclusions of the United States Department of Labor relative to the labor supply at the beginning of 1918 were stated by Secretary of Labor Wilson as follows:

Our problem then is one of readjustment to supply the demand for workers in those trades which are expanding rapidly, such as shipbuilding and munition factories.

At present there is a shortage of labor in some trades and a surplus in others. For instance, there is unemployment in the building trades. It is our task to make the supply equal to the demand, which will involve transportation of workmen voluntarily from one section to another, housing them in their new homes, and training the unskilled men when the skilled supply in any particular line of work is short.²⁴

The same opinion regarding shortage of farm labor was voiced by Assistant Secretary of Labor Post, who contended that two-thirds of the farm labor shortage was imaginary and the other third could be remedied by team work, coöperation, and not so much agitation about importing Chinese.²⁵ The fact that there

²² Quoted in the *Chicago Tribune*, February 28, 1918.

²³ *Monthly Review*, U. S. Bureau of Labor Statistics, March, 1918, p. 78.

²⁴ Quoted in the *Chicago Tribune*, January 10, 1918.

²⁵ *Chicago Tribune*, April 17, 1918.

was no shortage of labor for the country as a whole was not much consolation to the employer of labor whose plant was not operating up to the limit of production because of a dearth of workmen. His problem was local and immediate and his need imperative. He could ill afford to wait for a national labor survey and the redistribution of labor planned by the national Employment Service. In reality, then, there was an acute labor shortage for particular industries and given localities, but for the nation no such dearth of labor existed. The ultimate solution of the problem lay in proper distribution of the supply.

2. LABOR TURNOVER

Labor turnover is defined as the change in the personnel of workmen resulting from the hiring and termination of employment, and is now recognized as one of the most serious problems in American industry, even in normal times. The problem assumes much larger proportions in a period of war when employment is abundant and employers are competing vigorously for workmen. Whereas, in normal times men are seeking jobs, in times of war jobs are seeking men. A labor turnover of 300 per cent per annum is quite common in normal times for many of our larger and smaller industries.²⁶ For example, six cement companies which recently analyzed their labor turnover for a period of three years reported an average of 103 per cent per annum, while a public service corporation near Philadelphia had a labor turnover of 1,100 per cent in 1916 and, altho this was exceptional, a turnover of 400 per cent is not uncommon.²⁷ Prior to the war labor turnover in the United States was said to be about 300 per cent per annum, and the number of vacancies occurring in American industry every year was estimated to be more than 100,000,000.²⁸

The war accentuated the problem of labor turnover. Men did not stick to their employment. One Baltimore shipyard which employed several thousand men discovered that only ten per cent could be counted as a net gain to the number of employees. Many establishments which in peace times had a labor turnover of 200 to 300 per cent annually found that during the war turn-

²⁶ See article by Dr. Paul H. Douglas, *American Economic Review*, Vol. VIII (June, 1918), p. 306 ff.

²⁷ Allen, Leslie H., *Industrial Housing Problems*, Boston, 1917, p. 5.

²⁸ *United States Employment Service Bulletin*, July 31, 1918, p. 12.

over of 100 per cent a week was common.²⁹ Twenty-three hundred hull workers left one shipyard in three months in the Baltimore district, and one yard on the Pacific coast hired each day 175 new men to take the places of those leaving for other employments.³⁰ The problem was summarized by Secretary Wilson in the following words:

It is estimated that the industries of the United States employ some 30,000,000 unskilled workers. In ordinary times the labor turnover of the manufacturing establishments of the country is, on the average, 300 per cent. That means that every establishment which requires the services of 100 workers is accustomed to hire 300 workers during a single year.

Since the war this endless migration of workers has been multiplied many times. In some cities the labor turnover has gone as high as 3,000 per cent.

The production of ships and of munitions will be largely increased if the disastrous labor turnover can be eliminated and our civil man-power wisely distributed and husbanded.³¹

The fundamental causes of this enormous increase in the labor turnover were: (a) the great inequality in wage scales prevailing in different sections of the country, and especially in different industries within the same territory, and (b) unscientific employment and management of workmen. Inequality in wage standards was due to the unprecedented competition for laborers. Wages were especially high in shipyards and other establishments working on government contracts, such as those let by the Emergency Fleet Corporation. Other causes were the lack of proper housing and transportation facilities, and the marked tendency for colored unskilled laborers, at the approach of cold weather, to leave northern shipyards and manufacturing establishments for the South.³² It was stated that the labor turnover in the Delaware River shipyard district increased in almost direct ratio to the climbing wage scale, men going from one yard to another, tempted by offers of increased pay, each employer evidently concerning himself only with progress in his own establishment.³³ In regard to the relation of housing facilities to labor turnover, the conclusion of a thoro student of this problem is worthy of note; namely, that: "In years gone by wages were

²⁹ *Official Bulletin*, May 11, 1918, p. 8.

³⁰ *Iron Age*, Vol. 101 (No. 5), pp. 332, 333.

³¹ *Chicago Tribune*, August 1, 1918, and *U. S. Employment Service Bulletin*, August 6, 1918, p. 3.

³² *Official Bulletin*, May 18, 1918, p. 14.

³³ *Iron Age*, Vol. 101 (No. 5), p. 332.

low and the cost of labor turnover was hardly considered, for there was always a long line of new men waiting for a job, and because of this excess supply of men over demand, a man was not so ready to throw up his job to seek another. He would put up with poor housing conditions for the sake of having any job at all. But in the present labor situation, with demand far exceeding supply, the workman will no longer be content with the disgraceful housing conditions he has had to put up with."³⁴ The workmen were not responsible for the wasteful labor turnover, for it was to their advantage to migrate to the center of the highest wage and best working conditions, including adequate housing and transportation facilities.

3. INEQUALITY IN WAGE SCALES

In the foregoing discussion of labor turnover there was suggested another aspect of the labor problem during the war; namely, the absence of wage standardization. Inequality in wage scales appeared as the basic cause of the disastrous labor migration of the war period. The complete demoralization of labor which characterized the shipbuilding industry was attributed by the representatives of the government and by private employers alike to the competition between shipbuilders and other manufacturers for workmen. There was great need for wage standardization, without which the situation promised to go from bad to worse.³⁵ The greatest variation in wages prevailed in the same section of the country, and in the same kind of occupations, as well as between various industries and different sections of the country. For instance, in a single week an industrial district near the South Atlantic seaboard offered 22 cents an hour for common labor; New England offered 40 cents an hour; the district west of the Ohio offered 50 cents an hour. Similar inequalities in wage standards prevailed in the case of skilled labor.³⁶

It is to the interest of the wage workers always to migrate to the center of the highest wage scale. The extraordinary demand for labor during the war period, coupled with diminution in the supply, resulted in an unprecedented increase in wages. Em-

³⁴ Allen, Leslie H., *Industrial Housing Problems*, pp. 5, 6.

³⁵ *Iron Age*, Vol. 101 (No. 5), pp. 332, 333.

³⁶ *Official Bulletin*, May 18, 1918, p. 14.

employers, anxious to secure workmen in order to fill war contracts which offered an attractive differential, entered into unrestricted competition for labor and in the process of bargaining offered special wage inducements. Labor was not at fault for obeying the motive of self-interest in migrating from one establishment to another in response to these special wage offers, for it was a rare experience for labor to be so much sought after. They were doing just what all good business men do — seeking the market that guarantees the maximum net returns. Much of the responsibility for the difficulty, however, was attributed to the wage policy of the United States Shipping Board and other government agencies, and their procedure was severely criticised by employers of labor, as is indicated by the following:

The shipbuilding industry has been brought conspicuously into view because of the extraordinary wage policy adopted by the United States Shipping Board, which has undertaken to outbid all employers, private and public, and without any attempt at standardization of rates has instituted wage scales so high as not only to demoralize the labor market, but also to induce the idling of employees to such an extent as to reduce their efficiency from 30 to 50 per cent.³⁷

The Shipping Board not only introduced the basic eight-hour day and time and one-half for overtime and double time for Sundays and holidays, but also paid very high wages and an additional ten per cent bonus for each workman working six days in succession. These and other measures which tended to make employment in the shipyards very attractive had tremendous influence upon the labor situation in the neighboring territory and dislocated the labor supply.

The general intensive competition for workmen had the direct effect of increasing wage scales throughout industries engaged in the production of war materials. To keep the labor force intact employers were compelled to advance wages to a point approximating the standards in shipyards and other industries paying the highest figure. In the iron and steel industry of the United States there were five wage advances in two years — 1916 and 1917 — making a net increase in wages of about sixty per cent.³⁸ On August 1, 1918, the United States Steel Corporation made effective throughout its plants an additional ten per cent wage

³⁷ *Iron Age*, Vol. 101 (No. 7), pp. 450, 451.

³⁸ *Ibid.*, Vol. 101 (No. 1), p. 100.

advance which benefited 300,000 laborers. This was the seventh raise in wages granted by the same corporation subsequent to January, 1916, the seven increases aggregating seventy-five per cent. Six of these increases were for ten per cent each, and one, granted March, 1918, was for fifteen per cent.³⁹ The Bethlehem Steel Company on July 31, 1918, announced an increase of ten per cent in the general rate of wages. Between August, 1915, and August, 1918, the company granted increases totalling more than 100 per cent.⁴⁰ In the shipyards alone, upon the advice of the United States Shipping Board, wage advances were made during the first year of our participation in the war aggregating forty and fifty per cent, altho the wage scales were already high. This was in addition to the ten per cent bonus paid by the board to men working six consecutive days a week.⁴¹ Nor will it be forgotten that after the government took over the railroads Mr. McAdoo, as Director General, on May 26, 1918, authorized an advance in wages aggregating \$300,000,000, benefiting approximately 2,000,000 workmen, and that this advance was followed by others aggregating hundreds of millions of dollars. This general advance in wages was applied to the one hundred and sixty-four roads under government control. Statistics of wage increases by public agencies and private industrial establishments might be quoted much more at length here, but they are discussed elsewhere in this study.⁴² Sufficient data have been given to warrant the conclusion that the prevailing inequality in wage standards was due to: (a) the competition for workmen on the part of employers who were under the necessity of completing contracts on specified time, and (b) the influence of the government as an employer of labor.

4. INDUSTRIAL HOUSING AND TRANSPORTATION

The great increase in the demand for labor in the shipbuilding yards and other industrial establishments producing war materials attracted large forces of laborers who flocked to the centers of quickened industrial activity to take advantage of the wage inducements offered. The concentration of so large a laboring

³⁹ *Chicago Tribune*, July 31, 1918.

⁴⁰ *Ibid.*, August 1, 1918.

⁴¹ *Iron Age*, Vol. 101 (No. 3), pp. 204, 205.

⁴² See pp. 95-98.

population within a comparatively short time was bound to result in indescribable congestion, for neither the government nor private industrial establishments possessed adequate housing facilities to take care of the greatly augmented labor force. The housing problem became acute. It soon became evident that men would not remain in the industries that could not furnish at once proper housing facilities for its workers and their families, and an inevitable increase in labor turnover resulted. The seriousness of the problem was tardily realized, and on October 19, 1917, the Council of National Defense appointed a committee "to investigate and report upon the extent of the housing problem in connection with workers employed on government contracts and the relation of that problem to the output of war materials." At the close of the year 1917, this committee reported that with few exceptions the government contracts for ships, guns, ammunition, and other war materials had thus far been made with little or no government provision for the housing necessities incident to a rapid and enormous increase of labor. The committee illustrated the problem by citing a New England manufacturing city in which sixteen concerns were engaged upon war contracts, and to which 10,000 additional men had flocked with practically no living quarters provided. In some plants the production of guns and other munitions was threatened to be curtailed fully one-third of the possible output within three months, unless necessary housing facilities were provided. The report of the committee warned against exaggeration of the acuteness of the situation which, altho very serious, could be remedied by means of government loans at low rates of interest to private enterprises engaged on war contracts.⁴³

Manufacturers who for a long time have recognized the necessity of successfully solving the housing problem found themselves with a critical situation to meet in the midst of a great national emergency, and it dawned upon them that they did not possess adequate means of meeting it. In this respect the United States was less fortunate than nations like Great Britain which had behind them a large background of experimental legislation in housing. Great Britain provided for the absorption of land values arising out of the establishment of munition plants and

⁴³ *Monthly Review*, U. S. Bureau of Labor Statistics, December, 1917, pp. 18-20.

housing developments connected therewith, and during the war and as long as the government was in possession of the land taken over for the purposes indicated no compensation was paid for land values created by governmental operations.⁴⁴ Similar procedure was suggested for the United States on the grounds that the conservation of the unearned increment in land for the benefit of the community is in itself the prime factor in the economic solution of the housing problem.⁴⁵ Many persons would not have endorsed a general governmental policy of confiscation of increased land values, even when it could be demonstrated that such "unearned" increment was due to "social" causes. It was a sound conclusion, however, that the government of the United States would not be justified in lending money at low rates of interest, even to the extent of suffering a loss, as suggested by the Housing Committee of the Council of National Defense, if the corporations or other private agencies were to take advantage of the situation by increasing rents or in any other way reaping unearned increment from rising land values due to the influx of workers.

The problem of housing the labor forces was succinctly set forth in a letter from Chairman Edward N. Hurley of the Shipping Board, to the Chairman of the Senate Committee on Commerce. Among other things Mr. Hurley pointed out that one of the most perplexing problems of the war to the United States Shipping Board, the Army, and the Navy was the lack of housing facilities for the enormously increased army of labor, and the demand for immediate action became so apparent, upon investigation, that the board decided to start immediate construction of houses at the most critical points. Ten million dollars were set aside for the erection of housing facilities in the vicinity of Hog Island, and aid was granted to the Bethlehem Shipbuilding Corporation at Sparrows Point, Maryland, to purchase 400 five and six room brick houses to care for shipyard workers. For the housing program of the Shipping Board \$35,000,000 was required; and large sums also were needed by the Army and the

⁴⁴ *Ibid.*, February, 1918, pp. 209, 210.

⁴⁵ Ackerman, Frederick L., American Institute of Architects, Washington, D. C., *Journal American Institute*, December, 1917, Vol. 5, pp. 591-622. See also *Monthly Review*, U. S. Bureau of Labor Statistics, February, 1918, pp. 210-213.

Navy, especially in connection with the construction of housing facilities in army camps. Furthermore, there was need for co-ordination and standardization of the government's housing activities in one commission for all branches of the government.⁴⁶ The recommendations of the Housing Committee of the Council of National Defense included a similar government program of: (a) financial aid to such industries or communities as clearly demonstrate their right to relief, preferably in the form of loans at a low rate of interest; (b) creation of an organization of reasonable permanency and authority with broad powers to conduct building operations, to deal in real estate, and to borrow and lend money; (c) distribution of government contracts for war materials in such manner as to prevent undue concentration of workers in any locality.⁴⁷ The government's policy of dealing with the problems of housing and transporting workers in industrial centers congested as a result of the war is stated in a later chapter of this study.⁴⁸ Certainly no phase of the labor situation demanded a more immediate solution, for inadequate housing and transportation facilities were among the basic causes of labor migration and unrest which imperiled production of essential war supplies.

5. LABOR EFFICIENCY

The necessity of speeding up and increasing production in every possible way in order to make American effort count as potently and rapidly as might be in the war, made the government exceedingly anxious to prevent any conscious falling off in the efficiency of the laboring force in our industries. Accordingly the government was confronted with a twofold problem in this regard: (a) the elimination of all conditions of conscious and purposive decrease in efficiency or withdrawal of labor effort and, (b) the stimulation of efficiency and numerical increase of skilled or semi-skilled workers.

No time could have been more opportune than the war period for the purposeful relaxation of effort on the part of labor. American workmen were in an exceptionally strategic position

⁴⁶ *Monthly Review*, United States Bureau of Labor Statistics, February, 1918, pp. 205-207.

⁴⁷ *Ibid.*, p. 205.

⁴⁸ See Part II, pp. 208-210.

to practise many things which in normal times would incur dismissal. The abundance of work coupled with high wages which enabled the men to lay off more than in ordinary times was bound to affect production adversely. According to the President's Mediation Commission, which investigated conditions on the Pacific Coast, and to other sources of information, "conscious withdrawal of efficiency" and "strike on the job" characterized many essential war industries in this country.⁴⁹ It should be added, however, that the commission found that much of this decreased efficiency was due to the absence of proper housing and other desirable living conditions, and that improvement of industrial communities was a necessary step to make them "fit human habitations." Improvement of what may be called, for want of a better term, the social environment of industry was, then, a prerequisite to increased efficiency.

Altho the conditions of industry may have been a potent factor in the decrease of efficiency in such essential war industries as copper mining and lumbering, there is every reason to believe that under fairly acceptable or even desirable working conditions the labor force, conscious of its indispensability in carrying out the nation's war program, often took advantage of the situation to assert its independence and practised "loafing on the job" or, aided by high wages, took a "lay-off" quite frequently. Such, at least, seems to have been true in the shipbuilding industry subsequent to our entry into the war.⁵⁰ High wages paid in this industry resulted in idling which reduced the effectiveness of some yards thirty per cent and of others fifty per cent. Added to the high wages, of course, was the ten per cent bonus, but even this failed to have the desired effect of increasing efficiency. Men kept at their tasks for six-day periods only long enough to accumulate sufficient money to enable them to idle for extended periods.⁵¹ It was a common observation that the weekly per capita production of skilled labor steadily declined in many industries after we entered the war.

Besides purposeful withdrawal of effort on the part of some skilled and unskilled workmen, other difficulties appeared in the

⁴⁹ *Official Bulletin*, February 11, 1918, p. 12.

⁵⁰ *Iron Age*, Vol. 101 (No. 3), p. 235.

⁵¹ *Ibid.*, (No. 5), p. 333.

shortage of well-trained, efficient laborers to perform the skilled and semi-skilled tasks in shipbuilding and other war industries. The war revealed the woeful situation of the United States from the standpoint of a supply of technical workers to do the finer work in industry. The lack of vocational, technical schools so prevalent in European countries threatened to paralyze America's war program, and resulted in widespread demand for vocational education. At one time the shipbuilding industry was calling for several hundred thousand technically trained workers, but no one knew from whence they could be drawn. This led to the introduction of a system of labor dilution and rapid training under the direction of the United States Training Service, described later in this study.

The problem of labor efficiency, then, resolved itself into the following aspects: (1) A decrease in labor efficiency, due to (a) high wages, which enabled the men to idle; (b) undesirable working conditions and unfit living conditions, which were not conducive to health and effort; (c) the independence of labor arising out of the abundance of employment, which encouraged conscious withdrawal of effort or "soldiering;" (2) the shortage of skilled workmen to perform the more technical tasks of industry, due to the lack of a definite and adequate national system of industrial or vocational education. The remedies were: (1) Improvement of working and living conditions; (2) awakening of a spirit of loyalty and a sense of responsibility in those men who purposely loafed on the job; (3) training and dilution of labor to perform the increasing number of skilled and semi-skilled tasks.

6. WOMEN AND CHILDREN IN INDUSTRY

The necessity of increased production during the war, coupled with the withdrawal of millions of men for the army and the navy, forced upon our industries the alternative of replacing men with women and of accepting children for the common tasks which they were physically able to perform. We have already touched upon the serious tendency to break down labor safeguards which resulted from the emergency, and potential dangers which such a policy involved, especially as regards women and children.

The experience of European belligerents had demonstrated the

successful adaptation of women and children to many of the lighter mechanical operations formerly performed by men. There was general recognition of the value of women workers as an essential factor in production. It was also demonstrated that in the absence of the most stringent regulation and protection very serious results grew out of the replacement of men by women and the unwise employment of child labor. Inauguration of extended employment of women and children in industry involved several considerations, among which were the following:

(1) The extent to which women and children could assume the more difficult and heavy tasks in production without causing injuries to themselves and endangering their future usefulness in the life of the nation. Prevention of undesirable results in this regard was possible through the following precautions: (a) Prohibition of lifting excessive weights. Since handling of freight or other heavy burdens by women or children may overtax their strength, many establishments adopted a weight of twenty-five pounds as the maximum to be lifted by women. In the state of New York, for instance, there was a legal maximum of twenty-five pounds for women's work in foundries, and this maximum was also adopted by forty large industrial plants of Detroit.⁵² (b) Protection against poisoning incident to the making of explosives and the handling of munitions. This would include every possible measure of sanitation and frequent physical examinations. (c) Regulation of hours of labor to prevent over-fatigue. As suggested in previous pages, it was necessary to exercise every care and exert every effort to maintain prevailing safeguards of labor. Prohibition of night work and excessive overtime was a necessary measure, and many states passed legislation to this end.

(2) The guaranty of equal pay for equal work where women filled positions formerly occupied by men. Such a guaranty was necessary as a prevention against the employment of women as a subterfuge to obtain cheap and exploitable labor, thus affording the unscrupulous employer an unfair advantage over his more honest and generous competitors and leading to dangerous exploitation of unorganized employees.

⁵² *Monthly Review*, U. S. Bureau of Labor Statistics, January, 1918, p. 59.

(3) The establishment of facilities for training unskilled women in the shortest possible time to do the mechanical tasks previously performed by men. Many establishments provided short training courses for women in so called "Vestibule Schools." The Bethlehem Steel Company paid women twenty-five cents an hour while in training, and this rate was increased as soon as the women were able to handle production work. In addition, this company established a bonus system to encourage efficiency in production. The Lincoln Motor Company, Detroit, Michigan, which was building liberty motors, also installed facilities for training women. This company found the vestibule schools so advantageous that they decided to make them a permanent feature for both men and women workers.⁵³

(4) The provision of conveniences and comforts in order to attract and retain the right kind of female workers. Such facilities had not been previously installed by corporations for their male employees, therefore a new expense was entailed, amounting at times to \$25 per person.⁵⁴ Managers who provided such conveniences and comforts for their women workers asserted that this was not a large outlay in view of the results obtained in contentment. This whole movement for betterment and welfare plans in American industries received its greatest impetus from the experiences of Great Britain, especially from the investigations of the British Ministry of Munitions which revealed the futility of attempting to increase production in the absence of desirable conditions for employees, and showed that there is a definite relation between health, contentment, and output.⁵⁵

Previous to the war the idea was prevalent in every country that women were neither actually nor potentially so efficient as men in operations requiring a high degree of technical skill. Such an idea was a legacy of antiquity and seldom, if ever, based upon scientific inquiry. The evidence available for the war period shows that women who entered occupations formerly held

⁵³ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, September, 1918, p. 214.

⁵⁴ *Ibid.*

⁵⁵ See the following bulletins by the U. S. Bureau of Labor Statistics: *Welfare Work in British Munition Factories*, Bulletin No. 222; *Employment of Women and Juveniles in Great Britain during the War*, Bulletin No. 223; *Hours, Fatigue, and Health in British Munition Factories*, Bulletin No. 221.

by men proved themselves equally efficient, in some instances showing even greater skill. For example, in a British shell factory skilled men required 3.16 machine hours to bore a shell, while women with one week's practice did it in 3.6 hours and within two or three months had reduced the time to 1.25 hours, increasing output two and one-half times.⁵⁶ A typewriter and comptometer company declared that the slowest woman operator in point of production equalled the best man's daily production.⁵⁷ A small factory found that girls were turning out about seventy-five per cent of what men produced, but when completely trained they showed 110 per cent efficiency as compared with men. The Lincoln Motor Company found women not more productive than men, indeed a little slower, altho this was offset by their attention to details and the very low percentage of waste. On the other hand, one company employing 800 women concluded that the same attention and training given to each new man hired would make them as productive.⁵⁸

Equally interesting information regarding women's efficiency in industry is available for the metal trades. In an investigation of 127 establishments it was found that in thirty of these women's output exceeded men's in all operations; in six it was equal in some operations and greater in others; in thirty women's work was as productive as men's; in seven it was greater in some operations and less in others; in eleven it was equal in some and less in some; and in fifteen establishments women's work was less productive than men's in all operations. A total of twenty-eight concerns either did not report or their data was not comparable.⁵⁹ From the standpoint of attitude towards their work and regularity of attendance women have proved themselves worthy competitors with men.⁶⁰ Of 111 manufacturing establishments reporting on the attitude of women towards their

⁵⁶ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, September, 1918, p. 212.

⁵⁷ *American Machinist*, February 7, 1918, Vol. 48, p. 241.

⁵⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, September, 1918, pp. 212, 213.

⁵⁹ *War-time Employment of Women in the Metal Trades*, National Industrial Conference Board, Research Report No. 8. Quoted in *Monthly Labor Review*, U. S. Bureau of Labor Statistics, October, 1918, p. 192.

⁶⁰ For experiences of Great Britain see Bulletin No. 221 and Bulletin No. 223, U. S. Bureau of Labor Statistics, 1917.

work 103 stated it to be as good or better than men's, while eight considered it worse than men's. Over one-half of the women reported upon equalled or surpassed men in their regularity of attendance. However, the experience of other companies and other industries warrants the conclusion "that a higher average time loss because of absence must be counted among the unavoidable disadvantages connected with the employment of women." But this adverse circumstance has a compensatory advantage in the fact that labor turnover is smaller among women.⁶¹

Relative to the wages of women in war-time, it is worthy of note that never has there been given so much impetus to the slogan: "Equal pay for equal work without discrimination as to sex." This principle was emphasized by governmental agencies and by the spokesmen of women workers. It was one of the basic principles governing the procedure of the War Labor Board and its subsidiary representatives, and a surprisingly extensive acceptance of this policy was evidenced by industrial enterprises independent of the influence of governmental commissions or boards. In munition plants women were generally paid equal piece rates, and in many railway equipment shops there was no difference in rate whether piece or time. The principle of equal wages for equal work seemed to be more generally accepted in industries in which women were being employed for the first time, than in the establishments where they were accustomed to find employment. In the metal trades there was some variation, and this seems to have been true of many other war industries. An investigation of wage scales in 127 metal trades establishments, for instance, showed that in fifty-three women's wage rates were equal to men's; in twenty-nine the piece rate was equal but the time rate less; in twenty-four all rates were less for women. In data from twenty-one establishments this information was either not given or was not comparable. In only three out of thirteen electrical manufacturing plants were equal time and piece rates paid to men and women. One industrial establishment discriminated against women, starting them in at the rate paid to boys. Later, because of the increased labor turnover resulting from this discrimination and a series of tests

⁶¹ *War-time Employment of Women in the Metal Trades*, National Industrial Conference Board, Research Report, No. 8. Quoted in *Monthly Labor Review*, U. S. Bureau of Labor Statistics, October, 1918, p. 195.

which disclosed women's productivity greater than men's, a new wage scale was devised.⁶² The question of hours for women and children is closely related to wage rates. It was necessary in every state to prevent exploitation under the guise of patriotism or war emergency. Hours varied between eight and nine; women proved more efficient on the eight-hour schedule and on day work rather than night work.⁶³

There are no reliable figures concerning the number of women who entered industry in the United States during the war.⁶⁴ It is therefore impossible to state exactly at this time to what extent women replaced men in the various industries. Some estimates have been made, however, and in a few cases investigations completed for special industries like the textile and metal trades. In this regard the United States is less fortunate than Great Britain and France, where statistics were compiled. Between July, 1914, and January, 1918, the increase in the number of women workers in Great Britain was nearly 1,500,000, and the number of women who actually replaced men is said to have been 1,400,000. In munition plants alone the number was 700,000 in October, 1917. In January, 1918, 400,000 French women were making munitions. The movement to fill industrial vacancies in the United States gained its greatest momentum between September 1, and November 1, 1918.

Previous to the war the number of gainfully employed women in the United States was about 10,000,000. Subsequent to 1915, however, an additional 1,000,000 are believed to have entered gainful occupations, especially manufacturing and clerical positions. Approximately 100,000 teachers left the schools for clerical and other positions of war work, going particularly to Washington and other Atlantic coast cities. An industrial survey of fifteen states showed that about 1,266,000 women were engaged in making war supplies in the United States in January, 1918, 100,000 of whom were manufacturing munitions. Women were placed in machine shops, automobile factories, railway repair

⁶² *Monthly Labor Review*, U. S. Bureau of Labor Statistics, October, 1918, pp. 193, 214. Quoted from Research Report No. 8, of the National Industrial Conference Board, 1918.

⁶³ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, September, 1918, p. 213.

⁶⁴ No such statistics were available on December 13, 1918, according to a letter of that date from the U. S. Department of Labor to the writer.

shops, the street railway service, etc. In December, 1918, the manager of the "Women's Service Section" of the Railroad Administration stated that between January and October, 1918, the number of women employed by the steam railroads had increased from 60,000 to 100,000.⁶⁵

The United States Employment Service began to collect statistics of placement of women in industry after August 1, 1918. These figures were more or less incomplete for August, but the records show that during the four weeks of September 49,846 women were placed by the Service. The results for October were expected to show a "considerable increase over this number, indicating that the placement of women in industry was increasing at a very rapid rate as the war went on." With the exception of the building and construction trades, the records of the United States Department of Labor showed that women "were placed in practically every industrial occupation and especially in metal and machinery work."⁶⁶ A recent estimate puts the number that went into textile mills at 275,000, and 1,000 girls as employed in the seaplane factory at League Island Navy Yard.⁶⁷ A suggestive investigation of war-time employment of women in the metal trades was made early in 1918, by the National Industrial Conference Board. A total of 330 metal-work establishments reported. Of this number 131 employed women in manufacturing processes. Of a total labor force of 384,709, women numbered 4,831, or 12.9 per cent. It is interesting to note that women were for the most part employed in addition to men, not as substitutes for them.⁶⁸

The problem of women and children in industry during the war, then, involved: (1) the prohibition of child labor except as a final resort, and then only under the most rigid public regulation as to wages, hours, and the nature of employment; (2) equal pay for equal work, without discrimination as to sex; (3) a basic

⁶⁵ *War-time Employment of Women*, by Margaret A. Hobbs, *American Labor Legislation Review*, Vol. 8 (December, 1918), pp. 332-338.

⁶⁶ No statistics were available on December 13, 1918, according to a letter of that date from the United States Department of Labor to the writer.

⁶⁷ *Chicago Tribune*, December 15, 1918.

⁶⁸ *War-time Employment of Women in the Metal Trades*, Research Report No. 8, of the National Industrial Conference Board, Boston, 1918. Quoted in *Monthly Labor Review*, U. S. Bureau of Labor Statistics, October, 1918, p. 192.

eight-hour day for women, with the minimum of overtime, night work, and Sunday work; (4) facilities for training women workers to take skilled or semi-skilled positions vacated by men.

7. LABOR SAFEGUARDS

An unmistakable loss of health, output, and national effectiveness had resulted in other belligerent countries from the serious breakdown of protective labor regulations.⁶⁹ Furthermore, it had been repeatedly demonstrated in the experience of American industries that accidents, over-fatigue, and occupational diseases tend to increase *pari passu* with the speeding up of workers, lengthening of the working day, and otherwise breaking down protective measures designed to conserve labor.⁷⁰ In view of these facts it was necessary, in order to protect American labor, to exact the following conditions: (1) maintenance of all existing standards of safeguarding machinery and industrial processes for the prevention of accidents; (2) maintenance of all existing measures for the prevention of occupational diseases, and the provision of protective agencies against occupational poisonings incident to the making and handling of explosives; (3) the establishment of a basic eight-hour day wherever feasible, no extension of existing hours of employment, and one day of rest in seven; (4) periodic adjustment of wage scales to correspond with the variations in the cost of living, equal pay for equal work without discrimination as to sex, and time and one-half for overtime; (5) maintenance of all existing regulations and the introduction of new measures designed to protect women and children in industry, including maximum hours, prohibition of night work, prohibition of hazardous work, minimum wages, etc.; (6) maintenance of existing standards of workmen's compensation for industrial accidents and diseases, provision of special insurance or compensation for occupational diseases incident to the manufacture of explosives, periodical physical examinations in order to safeguard the health of workers in war industries; (7) rigid enforcement of factory and other labor laws, and the creation of joint commissions of representatives of workers,

⁶⁹ See Bulletin No. 223, U. S. Bureau of Labor Statistics, 1917.

⁷⁰ See *Fatigue and Efficiency*, by Miss Josephine Goldmark. (Russell Sage Foundation,) 1913. See also Bulletin No. 250, U. S. Bureau of Labor Statistics, 1919.

employers, and the public to draft and enforce regulations necessary to the successful execution of all measures designed to protect the interests and welfare of labor.⁷¹

Altho individuals and organizations interested in the maintenance of labor safeguards enunciated principles and made recommendations similar to the above, the tendency to repeal or suspend protective legislation grew apace during the months immediately following our declaration of war. In many of the states there was an unmistakable movement toward the repeal of laws restricting hours of work or toward giving to state officials authority to abrogate protective legislation under certain conditions.⁷² On April 12, 1917, Vermont enacted a law allowing the Commissioner of Labor, with approval of the Governor, to suspend the laws limiting women's and children's working hours; New Hampshire, on April 19, 1917, authorized the Governor to suspend labor laws at the request of the Council of National Defense; and a similar law was enacted by the state of Connecticut, May 2, 1917. This list might be extended to include many other states in which labor safeguards were either threatened or completely broken down.⁷³

Shortly after the entry of the United States into the war, Governor Brumbaugh of Pennsylvania wrote President Wilson relative to the wisdom of protecting the safeguards that have been built around American labor. In his reply the President said:

I think it would be most unfortunate for any of the States to relax the laws by which the safeguards have been thrown about labor. I feel that there is no necessity for such action, and that it would lead to a slackening of the energy of the nation rather than to an increase in it, besides being very unfair to the laboring people themselves.⁷⁴

Yet there was a suspension of the federal eight-hour laws under authority of the Naval Appropriations Act, approved March

⁷¹ See Special Bulletin No. 1, April, 1917, of the American Association for Labor Legislation, and recommendations of the National Child Labor Committee: *What Shall We Do for the Children in Time of War*, October, 1917.

⁷² *First Annual Report of the Council of National Defense*, 1917, p. 87.

⁷³ See *Labor Laws in War-time*, Special Bulletin No. 2, of the American Association for Labor Legislation, June, 1917.

⁷⁴ *Monthly Review*, U. S. Bureau of Labor Statistics, July, 1917, p. 54.

4, 1917 (Public No. 391, 64th Congress), due to the national emergency for work connected with war and contracts of the United States for national defense, and a waiver of the eight-hour day law for navy department contracts under authority of the President's order, March 22, 1917, and issued in Secretary of the Navy Daniels's order of June 23, 1917.⁷⁵ It should be said, however, that in the subsequent months of the war various agencies and departments of the government bent their efforts to establish and maintain the eight-hour day in industries directly operated by the government and private plants working on government contracts, and President Wilson vetoed the bill passed by both houses of Congress providing for the introduction of a nine-hour work-day for government employees. The true attitude of the departments of government toward labor safeguards was set forth in the following summary of General Orders No. 13, issued by the Chief of Ordnance, November 15, 1917:

In view of the urgent necessity for a prompt increase in the volume of production of practically every article required for the conduct of the war, vigilance is demanded of all those in any way associated with industry, lest the safeguards with which the people of the country have sought to protect labor should be unwisely and unnecessarily broken down.

It is a fair assumption that for the most part these safeguards are the mechanism of efficiency. Industrial history proves that reasonable hours, fair working conditions, and a proper wage scale are essential to high production. During the war every attempt should be made to conserve in every possible way all our achievements in the way of social betterment.

Excessive hours or unfair wages were not to be tolerated, the basic day was not to exceed ten hours, time and one-half was to be paid for overtime; Saturday half-holiday, legal holidays, and one day of rest in seven were to be granted. All necessary protection of labor against danger, together with precautionary measures for comfort and sanitation, wages comparable with the advance in the cost of living, protection of women and juvenile workers, and no child labor were to be assured.⁷⁶ The attitude of the departments of the national government was a powerful contrast to that evidenced by many state legislatures. The problem became serious, for our states had not yet learned the truth

⁷⁵ *Ibid.*, p. 55, and August, 1917, p. 148.

⁷⁶ *Ibid.*, December, 1917, pp. 51-53.

that in the long run a well-protected labor force is likely to be the most contented and efficient, while the exploited masses not only consciously or unconsciously become inefficient, but constitute fruitful ground for the sowing of seeds of discontent, industrial unrest, and revolutionary propaganda. It has been well stated that: "The war, which ushered in a concerted attack on protective labor legislation for women, ended by demonstrating more clearly than ever before the scientific basis of such restrictions and their necessity in the maintenance of efficiency and output."⁷⁷

8. INDUSTRIAL UNREST

A great national emergency like the recent war is an opportune time for the assertion of the claims of labor, since, for reasons already suggested, the supply of labor is much less than the demand. Realization of this strategic position is likely to make labor restless and to encourage vigorous presentation of its demands for shorter hours, higher wages, recognition of the union, and better working conditions, all of which in normal times are put forth with much less assurance of success. None of the belligerent countries escaped the serious problem of industrial unrest in an accentuated form, and each government constantly faced the necessity of placating or coercing the mass of laborers who took advantage of the crisis to press home their claims. Conspicuous among the many contributing causes of this widespread industrial unrest, as it appeared in the United States, were the growing independence of labor, the rapidly rising level of prices, the spread of revolutionary ideas, and the quite prevalent belief that the European war, like all others, was essentially a capitalistic venture arising out of the struggle for world markets. Before discussing these and other causes it is necessary to examine the development of industrial unrest in the United States during the period of the war.

The entrance of the United States into the war was followed by general labor unrest; strikes or threatened strikes appeared as the order of the day. "With the coming on of the war, traditional cleavages between employers and wage earners were ac-

⁷⁷ Hobbs, Margaret A., *American Labor Legislation Review*, Vol. 8, p. 336 (December, 1918).

centuated," stated the Secretary of Labor.⁷⁸ In every section of the country industrial unrest expressed in strikes or threatened walk-outs imperiled the production of essential war supplies. During the summer and fall of 1917 important war industries in the West experienced disastrous shutdowns. Trade union officials agreed that the extent and nature of the industrial unrest that was manifested in the western part of this country was the cause of deep concern to those responsible for the conduct of the nation's affairs.⁷⁹ Disputes were prevalent in four copper districts of Arizona in which was mined twenty-eight per cent of the copper produced in the United States, and within three months these shutdowns entailed a loss of 100,000,000 pounds of copper. Oil was another essential war product, especially for the navy, yet there was widespread unrest in the oil fields of California, which average in output 8,000,000 barrels a month or about one-third of the total output of the whole United States. In these oil fields about 18,000 men were employed.⁸⁰ The tie up of the telephone industry of the northwest states, which employed over 12,000 persons, greatly threatened the means of communication. The lumber industry of the Pacific Northwest, which was so essential to aircraft and ship construction and which employed 70,000 men, suffered a serious breakdown for several months during the summer of 1917, and for several months afterwards operated far below normal productivity. The labor troubles in the meat packing industry centering in Chicago threatened, late in 1917, to paralyze the entire industry employing over 100,000 men, and endangered the meat supply for ourselves and our allies.⁸¹ All these cases were dealt with by the President's Mediation Commission whose work is discussed elsewhere in this study.⁸²

Industrial unrest was not confined to any one section of the country, but characterized almost every type of industry in every section of the country. Between October, 1917, and Jan-

⁷⁸ *Fifth Annual Report of the Secretary of Labor*, 1917, p. 158.

⁷⁹ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor*, 1917, p. 88.

⁸⁰ *Official Bulletin*, February 11, 1918, pp. 9, 12.

⁸¹ *Ibid.*, p. 12.

⁸² See Part II, pp. 150-155.

uary, 1918, an examination of eighteen strikes reported in a daily newspaper disclosed the fact that 750,000 men were directly affected, and 90,000 men indirectly affected. These statistics are inadequate, for in only two of the cases were there any reports of men indirectly affected. A strike in the Lake Carriers' Association, comprising 64 vessel owners and 400 vessels, threatened to undermine completely the transportation of iron ore, coal, and other supplies on the Great Lakes, the strike being called for October 1, 1917, a critical period in our war preparation.⁸³ In Alabama 25,000 miners threatened to walk out and were prevented from doing so only by the intervention of the government. In the railroad shops of the Southwest 42,000 mechanics threatened to strike, in the shipyards over 175,000 men, and in the Pennsylvania coal mines 8,000 men, all in the summer of 1917.⁸⁴

Since there has been some controversy as to whether industrial strikes increased subsequent to the entry of this country into the war, further statistics will not be amiss. During the six months from April 6 (the day we declared war on Germany) to October 6, 1917, nearly 3,000 strikes occurred in industrial establishments in the United States, according to an examination of various sources of information. This number cannot be said to include all strikes taking place within that period. A very suggestive investigation of the first six months of our active participation in the war throws light on the situation as it existed.⁸⁵ Reports on 1,156 strikes gave the following statistics: number of employees idle, 283,402; number of days of production lost, 6,285,519; 251,400 persons would have to work a whole month to make up the loss of production; a manufacturing plant employing 1,000 workers would have to operate for 21 years of 300 work-days to offset the loss sustained by these strikes; the average loss per worker was 22.2 days. Among the most essential war industries were the metal trades, shipbuilding, coal mining, and copper mining. These constituted 46.1 per cent of the 1,156 strikes reported, 61.8 per cent of all the workers idle, and 66.3

⁸³ *Iron Age*, Vol. 101 (No. 12), p. 745.

⁸⁴ *Official Bulletin*, August 29, 1917, p. 29.

⁸⁵ *Strikes in American Industry in War-time*, Research Report No. 3, of the National Industrial Conference Board, March, 1918, pp. 3, 5.

per cent of the work-days lost. Further statistics are given in the table below.⁸⁶

TABLE II. CLASSIFICATION OF STRIKES ACCORDING TO INDUSTRIES

Industry	Establishments Affected		Employees Made Idle		Work-days Lost	
	No.	Per cent	No.	Per cent	No.	Per cent
Total	1,156	100.0	283,402	100.0	6,285,519	100.0
Metal Trades.....	375	32.4	78,727	27.8	1,230,804	19.6
Shipbuilding	75	6.5	47,174	16.7	1,072,501	17.1
Coal Mining.....	59	5.1	31,973	11.3	939,608	14.9
Copper Mining.....	24	2.1	16,911	6.0	922,782	14.7
Textiles	122	10.5	20,708	7.3	434,061	6.9
Lumber	65	5.6	11,136	3.9	433,450	6.9
Clothing, Hats, Shoes.	59	5.1	10,396	3.8	375,081	5.9
Railroads	46	4.0	10,684	3.8	222,222	3.5
Miscellaneous	331	28.7	55,693	19.4	655,010	10.5

It will be seen from the above table that 71.3 per cent of the establishments affected might be classified as essential war industries; that of the total number of workers made idle 80.6 per cent were engaged in these essential occupations; and that of the aggregate number of work-days lost 89.5 per cent were lost by the essential industries. The effect of these strikes upon our war program during the critical period of the first half-year of our actual participation in the war can hardly be estimated.

The most adequate data on strikes and lockouts during the period with which we are concerned in this study were compiled by the United States Bureau of Labor Statistics, and set forth in the following table:⁸⁷

⁸⁶ From Research Report No. 3 of the National Industrial Conference Board, March, 1918, pp. 5, 7.

⁸⁷ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, June, 1919, pp. 303-325.

TABLE III. NUMBER OF STRIKES AND LOCKOUTS BEGINNING IN EACH MONTH, 1916, 1917, 1918

Kind of Dis- pute	Jan- uary	Febru- ary	March	April	May	June	July	August	Septem- ber	Octo- ber	Novem- ber	Decem- ber	Mo. not Stated	Total
Strikes														
1916	180	203	289	419	604	340	310	318	247	255	192	147	174	3,678
1917	268	196	299	421	438	297	428	346	328	312	245	180	475	4,233
1918	180	208	293	301	377	284	274	269	194	140	200	237	224	3,181
Lockouts														
1916	8	3	5	15	13	14	3	8	5	4	4	2	24	108
1917	14	7	10	14	12	10	4	7	9	4	6	12	17	126
1918	8	11	11	10	6	6	6	5	10	...	5	10	16	104
Total														
1916	188	206	294	432	617	354	313	326	252	259	196	149	198	3,786
1917	282	203	309	435	450	307	432	353	337	316	251	192	492	4,359
1918	188	219	304	311	383	290	280	274	204	140	205	247	240	3,285

It will be noted from the above table that during the three years (1916, 1917, 1918) there was a total of 11,430 strikes and lockouts, of which 11,092 were strikes and 336 were lockouts. Of the 11,092 strikes 7,414 or about 67 per cent occurred during the two years in which we were at war, while of the 336 lockouts, 230 or about 68 per cent took place in that period. In 1917 there were more strikes and lockouts than in 1916; while in 1918 there were less than in either of the two preceding years.

Interesting statistics concerning the distribution of strikes is contained in the data below:⁸⁸

TABLE IV. NUMBER OF STRIKES AND LOCKOUTS IN 1916, 1917, AND 1918, BY SEXES

Sex	Strikes			Lockouts		
	1916	1917	1918	1916	1917	1918
Males	3,042	3,434	2,345	76	99	76
Females	122	152	86	..	..	3
Males and Females.....	260	184	263	9	6	11
Not reported.....	254	463	487	23	21	14
Total	3,678	4,233	3,181	108	126	104

The statistics of the above table indicate that men only were involved in about 82 per cent of the strikes in 1916, about 81 per cent in 1917, and about 74 per cent in 1918, while women were involved in comparatively few strikes. Men only were involved in about 70 per cent of the lockouts in 1916, 78 per cent in 1917, and 73 per cent in 1918, while women were locked out by employers in comparatively few cases.

In 1916, in 2,600 strikes and 64 lockouts the number of persons involved was stated to be 1,546,428 and 53,182 respectively, or an average of 595 and 831, respectively; in 1917, in 2,174 strikes and 46 lockouts the number of persons involved was reported to be 1,193,867 and 19,133, respectively, or an average of 549 and 416, respectively; and in 1918, in 2,027 strikes and 70 lockouts the number of persons involved was said to be 1,192,418 and 43,041, respectively, or an average of 588 and 615, respectively.⁸⁹ This means that during the three years 6,801 strikes made idle 3,932,713 persons, and 180 lockouts made idle

⁸⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, June, 1919, p. 310.

⁸⁹ *Ibid.*, p. 311.

115,356 persons. Of the total number of persons made idle during this period on account of strikes approximately 61 per cent were out of work for varying periods during the two years in which we were at war, while of the total number of persons forced out of employment on account of lockouts during the three years fully 54 per cent were locked out during the two years of our active participation in the war.

Brief mention should be made concerning the duration of the strikes and lockouts. Of 6,368 strikes reported in 1916, 1917, 1918, 2,540 lasted from less than one to not more than seven days; 861 from eight to fourteen days; 483 from fifteen to twenty-one days; 219 from twenty-two to twenty-eight days; 76 from forty-three to forty-nine days; 201 from fifty to seventy-seven days; 216 from seventy-eight to one hundred and nineteen days; and 47 over two hundred days. No information regarding duration was reported in 1,391 cases. These statistics indicate that of the 6,368 strikes reported 3,894 or about 61 per cent ended within three weeks, while of the 174 lockouts reported 65 or about 36 per cent ended within that time.⁹⁰

Of the 11,092 strikes tabulated by the Bureau of Labor Statistics during the three years (1916, 1917, 1918), 8,373 or about 76 per cent occurred north of the Ohio and east of the Mississippi; 2,018 or about 18 per cent occurred west of the Mississippi; and 701 or about 6 per cent south of the Ohio and east of the Mississippi. Of the 335 lockouts reported 230 or about 68 per cent occurred north of the Ohio and east of the Mississippi; 74 or about 22 per cent occurred west of the Mississippi; and 34 or about 10 per cent occurred south of the Ohio and east of the Mississippi. Industries having the largest number of strikes and lockouts were as follows: building trades, clothing industries, mining, shipbuilding, textile industry, metal trades, and transportation.⁹¹

The trend of industrial unrest during recent years may be seen also from an examination of the reports on the work of conciliation and mediation of the United States Department of Labor. "The number of labor disputes calling for government mediation increased suddenly and enormously with the begin-

⁹⁰ For complete data see *ibid.*, p. 313.

⁹¹ For statistics of distribution of strikes and lockouts by industries see *ibid.*, p. 312.

ning of the war''⁹² and Congress, recognizing the need of dealing with the situation, appropriated and made available for 1917, \$100,000 for the mediation work of the Department of Labor. In the cases coming before the mediators of the Department of Labor from April 6, to June 30, 1917, 228,123 employees were directly affected, and 178,376 were indirectly affected; and by October 25, 1917, these had been extended to include an aggregate of 572,029 men directly affected and approximately 380,954 involved indirectly. The number of cases coming before the conciliators of the Department of Labor were as follows:

March 4, 1913, to June, 1914.....	33
1915.....	42
1916.....	227
1917.....	378
1918.....	1,217
Total	1,897

These cases embraced controversies in nearly every state of the Union — in exact figures 43 states, together with Alaska and Porto Rico.⁹³ For the fiscal year 1917 there were 473,734 workers affected directly, and 334,225 indirectly.⁹⁴ In the table below are given the statistics on mediation of labor disputes for each month during the fiscal year 1918:⁹⁵

TABLE V. NUMBER OF MEN DIRECTLY AND INDIRECTLY AFFECTED IN ALL CASES COMING BEFORE THE DIVISION OF CONCILIATION OF THE UNITED STATES DEPARTMENT OF LABOR, IN EACH MONTH DURING THE FISCAL YEAR 1918⁹⁶

Month	Workmen affected in all cases	
	Directly	Indirectly
July	159,505	68,842
August	122,164	38,484
September	98,970	96,530
October	64,048	66,347
November	53,125	145,385
December	46,412	115,007
January	126,436	103,345

⁹² *Fifth Annual Report of the Secretary of Labor*, 1917, p. 51.

⁹³ *Ibid.*, p. 50. The figures for 1918 are from the *Sixth Annual Report of the Secretary of Labor*, 1918, p. 31.

⁹⁴ *Fifth Annual Report of the Secretary of Labor*, 1917, p. 51.

⁹⁵ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 30.

⁹⁶ Compiled from the *Monthly Review*, U. S. Bureau of Labor Statistics, 1917-18.

February	58,069	120,455
March	41,644	80,931
April	81,348	162,734
May	98,951	116,926
June	90,670	200,671
Total	1,041,342	1,315,657

It will be seen from the foregoing statistics that the number of cases coming before the Division of Conciliation during the period of the war, 1914 to 1918, totalled 1,864. Of this number of disputes 1,595 arose during the time the United States was at war. In other words, about 85.5 per cent of all the cases under consideration came before the Division subsequent to our entry into the war, while 14.5 per cent were handled previous to that time. During the fiscal year 1918 a total number of 1,217 disputes came before the Division, involving 1,041,342 workmen directly affected, and 1,315,657 indirectly affected. This means that two and one-half millions of wage earners, approximately three times as many as during the preceding year, were involved in cases submitted to the Division of Conciliation; that the average number of workmen directly affected in the 1,217 disputes was about 855, the average number indirectly affected about 1,081.

These statistics are not necessarily an index to an increase in the number of industrial disputes, altho there is no reason to doubt that they express such a tendency. They show positively, however, an increasing desire on the part of employers and employees to mediate their difficulties. That this increasing tendency toward conciliation during the war period is indicative of a permanent change in the attitude of labor and capital toward the amicable settlement of their difficulties does not necessarily follow, for during the recent national crisis both parties to the industrial conflict were actuated by the powerful motive of patriotism, and in times of peace such a motive is not a dynamic factor. The total number of strikes occurring during the last four years was much greater than the statistics of the previous pages imply. Many other governmental agencies, including the production departments, were solving the problem of industrial unrest in their own way, and complete statistics on the number of disputes coming before these agencies are not available at this time. These would doubtless swell the total.

CHAPTER IV

ANALYSIS OF RECENT INDUSTRIAL UNREST

The economics and psychology of unionism and the labor movement are as yet vaguely understood. This lack of understanding of one of the most potent agencies in modern industrial life is due largely to a corresponding deficiency of knowledge of the conditions that have produced the phenomenon of unionism and that today constitute the greatest stimulus to its growth. The interesting but impractical schemes advanced for dealing with the problem of industrial unrest during the period of the recent war are convincing evidence of the unwillingness or inability of many persons in public and private life to comprehend the true nature of the labor problem and the phenomenon of trades-unionism. Until there is adequate comprehension of the industrial and other causes that give rise to the recurrent phenomena of labor disputes a solution of the labor problem manifested in these disputes will not be forthcoming. It is not too much to say that ignorance of the principle of causation, as it operates in the industrial system, giving rise to maladjustment in industrial relations, has been responsible for the failure to provide an acceptable means of preventing industrial conflict. The labor problem, like the broad field of economics of which it is a part, is of such general interest and touches the business of living so intimately and affects so largely the whole fabric of social relations that almost every one ventures an analysis and a solution.

At no time has familiarity with the labor problem and its solution been more generally assumed than during the four war years, and this fact may be partly responsible for the wilderness of abstraction and confusion in which the problem of industrial relations finds itself today. There is need for a more scientific approach to the perplexing phenomenon of industrial unrest. It is necessary to learn that such unrest grows out of definite, ascertainable, antecedent phenomena. Complete understanding

of these antecedents is a prerequisite to a fair consideration and final judgment of the industrial conflict. For this reason a brief analysis of the causes of recent industrial disputes is set forth in the following pages.

Examination of industrial disputes during recent years reveals two sets of fundamental causes. In the first place, there are what may be termed general conditions and, second, those which may be designated as specific conditions. By general conditions are meant those circumstances prevalent throughout the industrial system of the United States, while by specific causes are meant those conditions or circumstances which are found in particular industrial establishments and may or may not be present in other plants. Another classification that suggests itself is that of a twofold division of causes into economic and psycho-social. These economic and psycho-social elements, however, enter into almost every conceivable cause of industrial unrest. If we bear this in mind the division into general and specific conditions, even tho it be an arbitrary classification will, nevertheless, be sufficient for our purposes.

Among the general conditions responsible for recent industrial unrest are:

1. The high cost of living and the failure of wages to keep pace with the rapidly rising level of prices.
2. Inequality in wage scales as between different occupations, different establishments, and different localities.
3. The demand for a shorter work-day.
4. Faulty distribution of the labor supply and the absence of adequate machinery for securing a better distribution.
5. Distant or absentee ownership and control of industry.
6. Autocratic government of industry.
7. Inadequate machinery for settling labor difficulties.
8. The prevalence of profiteering.
9. The spread of internationalism.

Some of the more important specific causes of recent conflict in industrial relations are:

1. Inadequate housing and transportation facilities.
2. Lack of healthful and desirable social environment in industrial neighborhoods.
3. Demand for readjustment of rates of pay for overtime, Sundays, night-work, and legal holidays.

4. Discrimination against union employees, and the use of intimidation and coercion by both employers and workmen.

5. Demand for recognition of the union and the right of organization.

6. Undesirable conditions of employment.

7. Demand for a minimum wage scale.

8. The employment of women on work formerly done by men.

9. Deductions from wages to cover the cost of education, insurance, and medical aid.

10. The use of the permit system.

11. The practice of discounting orders for money advanced to employees:

12. Operation of the apprentice system.

13. Demand for specific and more frequent pay-days.

14. The polyglot character of workmen in some industries.

These two groups of conditions will be considered briefly in their relation to recent industrial disturbances.

GENERAL CAUSES OF INDUSTRIAL UNREST

(1) *The High Cost of Living.* The importance of the standard of living of American workmen as a factor in the determination and formulation of wage demands and other claims of labor is generally recognized by students of the labor movement.¹ In fact the bread and butter approach is the logical one to a clear understanding of the industrial conflict, both in times of peace and war. The war has resulted in a more general recognition of the relation of the cost of living to industrial unrest. To the plodding worker, the business of living has its genesis and goal in the satisfaction of his physical and spiritual wants here and now. Where the business of making a livelihood does not guarantee the satisfaction of these wants there is widespread discontent. When prices soar far above the level of wages the inevitable result is the spread of strikes and threatened strikes.

It is not necessary in this period of the world's history to present statistical proof of the rising cost of living, for it is a fact with which we are all unhappily too familiar. Some statistical data, however, will show more clearly the relation of rising

¹ *Trade Unionism in the United States*, by R. F. Hoxie, especially Chapter x.

prices to labor unrest. Rising prices are a world phenomenon at present, as they have been for some years past, and the United States has shared generously in this common experience of the world. Professor Kemmerer has stated this advance in prices for the United States during the eight years from 1910 as follows:²

INDEX NUMBERS OF WHOLESALE PRICES

Year	Index Number
1910.....	99
1911.....	97
1912.....	101
1913.....	102
1914.....	101
1915.....	102
1916.....	125
1917.....	178

Statistics published by the United States Bureau of Labor Statistics for the six years from 1913 show the following advances:³

INDEX NUMBERS OF WHOLESALE PRICES

Year	Index Number All Commodities
1913.....	100
1914.....	99
1915.....	100
1916.....	123
1917.....	175
1918.....	203

In the period from August, 1914, to August, 1918, index numbers for wholesale prices of farm products increased 120 per cent; food, etc., 80 per cent; cloths and clothing 151 per cent; fuel and lighting 89 per cent; chemicals and drugs, 107 per cent; house furnishing goods 124 per cent. All commodities showed an average increase of 101 per cent.⁴ Summarizing the movement of wholesale prices for the period, 1914 to 1917, Professor Kemmerer says:

Comparing individual prices for December, 1917, with those for July, 1914, we find that of the thirteen items of animal products covered by the Bureau of Labor Statistics figures every one increased decidedly in price

² *The American Economic Review*, Vol. VIII (June, 1918), p. 263.

³ *Monthly Review*, U. S. Bureau of Labor Statistics, June, 1918, pp. 42-93. Figures for 1918 are for August of that year.

⁴ *Ibid.*, October, 1918, p. 106.

during that period, increases varying from 37 per cent to 158 per cent. For vegetable products, eleven in number, the price rose decidedly for all but one (potatoes), where there was a decline of 10 per cent for the dates mentioned. Of the other ten items, the smallest increase registered was 46 per cent, and the largest 233 per cent. Of the thirteen items classified under textile and leather goods every one increased decidedly in price, the smallest increase for any item being 51 per cent and the largest 208 per cent. For the fourteen items of mineral products, every one likewise increased decidedly in price, the smallest increase being 17 per cent and the largest one being 200 per cent.⁵

The same trend in wholesale prices is shown by several generally accepted sources. The United States Bureau of Labor Statistics (294 commodities) shows an advance from 100 in 1913 to 175 in 1917; Annalist (25 commodities) from 100 in 1913 to 187 in 1917; Bradstreet (96 commodities) from 100 in 1913 to 170 in 1917; Dun (200 commodities) from 100 in 1913 to 169 in 1917; Gibson (22 commodities) from 100 in 1913 to 204 in 1917.⁶

Rising wholesale prices result in similar advances in retail prices for the principal commodities of consumption, especially those which constitute the major portion of the nation's diet, the demand for which is more or less inelastic. Food as a whole was 52 per cent higher on December 15, 1917, than on December 15, 1913, and 50 per cent higher than on either December 15, 1914, or December 15, 1915. During this four-year period corn meal advanced 108 per cent; lard 111 per cent; pork chops and potatoes, 67 per cent each; ham, 64 per cent; milk, 44 per cent; butter, 37 per cent; and eggs, 33 per cent. No article declined in price. Of 27 commodities of general consumption enumerated by the Bureau of Labor Statistics the retail price advanced from 91 per cent in 1913 to 138 per cent in 1917, for all articles combined.⁷

In the table below is given the trend of retail prices of food from 1913 to 1917: ⁸

INDEX NUMBERS OF RETAIL PRICES OF FOOD

Year	Index Number
1913.....	100
1914.....	102

⁵ *The American Economic Review*, Vol. VIII (June, 1918), p. 264.

⁶ *Monthly Review*, U. S. Bureau of Labor Statistics, June, 1918, p. 98.

⁷ *Ibid.*, February, 1918, p. 92.

⁸ *Ibid.*, June, 1918, p. 146.

1915.....	101
1916.....	114
1917.....	146
1918.....	159 ⁹

The illuminating Report of the Railroad Wage Commission throws further light upon the cost of living. This report shows that the increase in the various items of the family budget from January 1, 1916, to January 1, 1918, were as follows:

Food	52 per cent
Rent	10 per cent
Clothing	44 per cent
Fuel and Light.....	31 per cent
Sundries	35 per cent ¹⁰

Weighting these advances according to the proportion of expenditure for each item for incomes of different amounts, the following increases are ascertained:

Families with incomes up to \$200.....	42 per cent
Families with incomes from \$200-\$400.....	41 per cent
Families with incomes from \$400-\$600.....	40 per cent
Families with incomes from \$600-\$1,000.....	38 per cent
Families with incomes from \$1,000-\$2,000.....	37 per cent

In the period 1915-1917, the sundry items of the workingman's budget showed advances as follows: insurance, 50 per cent; house furnishings, 40 per cent; books and papers, 50 per cent; amusements and vacations, 15 per cent; liquor and tobacco, 75 per cent; expenses connected with sickness and death, 50 per cent; and all other items, 50 per cent. Many estimates show that the purchasing power of the dollar had shrunk during this period from 29 per cent to 50 per cent, or to 71 cents and 50 cents respectively.¹¹

The data and conclusions of the Railroad Wage Commission relative to the advance in the cost of living are verified by the special investigations of the United States Shipping Board and the United States Bureau of Labor Statistics. A comparison of the results of each investigation is given in the table below. In

⁹ Weighted index number for 22 foodstuffs in 45 cities of the United States. *Ibid.*, October, 1918, p. 111.

¹⁰ *Report of the Railroad Wage Commission to the Director General of Railroads*, April 30, 1918, p. 82.

¹¹ *Ibid.*, pp. 82, 83, 85.

column five we have averaged the percentage increases of the three studies.

TABLE VI. COMPARISON OF RELATIVE INCREASE IN SPECIFIED ITEMS OF EXPENDITURE AS DETERMINED BY THREE INDEPENDENT STUDIES ¹²

Item	Jan. 1, 1916	June, 1916	Jan. 1, 1916	Average Percent- age increase of the studies
	to	to	to	
	Jan. 1, 1918	Feb., 1918	Jan. 1, 1918	
	U. S. Bureau of Labor Statistics ¹³	U. S. Ship- ping Board ¹⁴	Railroad Wage Com- mission	
Food	51%	52%	52%	51.2%
Rent	3%	16%	10%	9.2%
Clothing	46%	74%	44%	54.2%
Fuel and Light	23%	49%	31%	34.1%
Sundries	40%	35%	35%	36.2%

It will be seen from the above statistics that food increased 51.2 per cent; rent, 9.2 per cent; clothing, 54.2 per cent; fuel and light, 34.1 per cent; sundries, 36.2 per cent.

Later information discloses a continued advance in the cost of living. In June, 1918, the cost of living had increased about 55 per cent over the pre-war period. Data collected by the United States Bureau of Labor but not yet completely tabulated, show that in fifteen shipbuilding centers in August, 1918, the average increase over 1914 was 65 per cent. For certain cities the increase was even greater than this, as for example in New York city where the cost of living up to December, 1918, as compared with that for December, 1914, had advanced 75 per cent. In October, 1918, food showed an increase of 75 per cent over the average for 1914-1915.¹³ Of all the major items in the family budget clothing showed the greatest increase, ranging from 125 per cent to 70 per cent over the pre-war period to August, 1918, the general advance registering between 95 per cent and 100 per cent.¹⁴ Furthermore, statistics reveal a marked variation as between the various shipbuilding centers, from December, 1914, to August, 1918, according to the United States Bureau of Labor Statistics. These data are as follows: Baltimore, 80 per cent;

¹² Compiled from the report of the Railroad Wage Commission to the Director General of Railroads, April 30, 1918, p. 86.

¹³ Philadelphia, Pennsylvania, Study made for the United States Shipping Board.

¹⁴ Pacific Coast Study.

Norfolk, 75 per cent; Bath, Maine, 60 per cent; Philadelphia, 67 per cent; Portsmouth, New Hampshire, 67 per cent; Chicago, 65 per cent; Boston, 65 per cent; Jacksonville, Florida, 63 per cent; Portland, Maine, 63 per cent; Toledo, Ohio, 63 per cent; New York, 62 per cent; Superior, Wisconsin, 60 per cent; Beaumont, Texas, 60 per cent; Savannah, Georgia, 50 per cent; Mobile, Alabama, 56 per cent.¹⁵

Items in the worker's budget which also deserve special mention are street car fares and rents. Street car fares during the war period were raised above the five cent level in 238 cities, or for more than one-third the urban population of the United States and Canada. According to figures compiled by the American Railway Association this means a population of 11,000,000.¹⁶ The area of advanced street railway rates has been greatly widened since these figures were published. This is significant when one remembers that the street railway systems of the country are so extensively used by the laboring population, especially in our industrial centers where these increases have been most marked.

Workmen who, actuated either by the motive of patriotism or the desire for higher wages, flocked to the centers of essential war industries immediately faced advancing rents. Rising rents, together with exorbitant prices of other necessities, absorbed a large part and often the entire amount of the higher wages earned in these industries. "Careful investigations have shown that rents in industrial districts have increased in some instances considerably more than two hundred per cent, and that labor turnover in war industries, because of rise in rents has actually retarded contracts sorely needed by both Army and Navy." Furthermore, these investigations showed that some landlords raised rents every time the wage scale of the community was advanced, and utterly disregarded the thought of basing their rents on a fair return on the investment.¹⁷ This unpatriotic profiteering became so prevalent that it was necessary to introduce an anti-rent profiteering bill. Such a measure was spon-

¹⁵ Ogburn, William F., *The Annals of the American Academy of Political and Social Science*, Vol. LXXXI, No. 170 (January, 1919), pp. 111-113.

¹⁶ *Chicago Tribune*, August 18, 1918.

¹⁷ Statement issued by the United States Department of Labor, September 4, 1918. Quotations are from mimeographed copy sent by the department to the writer.

sored by Representative Clark of Georgia, and was drafted at the suggestion of the Bureau of Housing and Transportation of the Department of Labor.¹⁸ In general, however, there was a wide variation in the level of rents, and they rose less rapidly and the increases were not so marked as in the case of other items in the family budget. According to data given above the average advance in rents from January 1, 1916, to January 1, 1918, was 9.2 per cent. The great variation in rents is shown by the fact that in Detroit from December, 1914, to March, 1918, rents increased 380 per cent, while in Jacksonville, Florida, from December, 1914, to August, 1918, they fell one per cent.

The foregoing statistics indicate a great increase in the cost of living for the United States during the period of the World War. A fair conclusion would seem to be that the average increase in the cost of living between July, 1914, when the great war began, and November, 1918, when actual fighting ceased, was somewhere between 55 and 65 per cent. In particular communities the average advance was much greater. Examination of official and non-official studies in prices of the major items in the American family budget shows that they increased about as follows: clothing, 77 per cent; food, 62 per cent; rent, 15 per cent; fuel and light, 45 per cent; sundries or miscellaneous commodities, 50 per cent.¹⁹

Wages, the price paid for the services of labor, like the general level of prices, have also advanced during these four years. Especially was this true subsequent to our entry into the European conflict. As stated elsewhere in this study,²⁰ wages in many industries like iron and steel, shipbuilding, and munitions, advanced as much as 50 per cent and 100 per cent during the war period. Big increases were registered also for railroad employees under government control, aggregating at one time \$500,000,000. The war advances in railroad wages, as compiled by the *New York Times*, are shown as follows:

War advances in wages by railroad companies in 1916-17: To trainmen, (Adamson eight-hour law), \$70,000,000; to other employees, \$280,000,000; total advances by companies, \$350,000,000.

¹⁸ *Ibid.*

¹⁹ An excellent non-governmental study of the cost of living is *Wartime Changes in the Cost of Living*, Research Report No. 9, National Industrial Conference Board, August, 1918.

²⁰ See pp. 62-63.

War advances in wages by Railroad Administration, 1918-19: First Cycle, (Lane Wage Board): To trainmen, \$160,000,000; to other employees, \$240,000,000; total, \$400,000,000.

Second Cycle, (Supplemental Increases): To shopmen, \$200,000,000; to trackmen, clerks, etc., \$200,000,000; to telegraphers, agents, etc., \$45,000,000; to trainmen, (April, 1919), \$65,000,000; total, \$510,000,000.

Total advances by government, \$910,000,000; total wage advances in three years, \$1,200,000,000, an average of \$600 for each employee; total wage advances since beginning of war, \$1,365,000,000, an average of \$650 per employee.²¹

To these and the numerous other advances in wage scales trade journals and the daily press have repeatedly called attention. Rarely, however, has precaution been taken to point out that these increases were in nominal or money wages, and that the increased volume of wages was due in part to the large amount of overtime made necessary by our war program. In many instances a comparison of money wages with real wages or purchasing power of income would have shown a less conspicuous advantage to the worker and, indeed, such a comparison would often have uncovered the decidedly disadvantageous position of the wage earner. The failure to interpret wage advances in terms of purchasing power beclouded the fundamental issues in the consideration of recent industrial unrest, and resulted in much unfounded and premature criticism of American labor. It is very necessary, therefore, before formulating any conclusions relative to the phenomena of industrial disputes, that we consider, among other things, the recent trend of wages. The statistics of the following table will throw some light on this consideration:

TABLE VII. INDEX NUMBERS SHOWING THE TREND OF UNION WAGES PER HOUR AND PER WEEK, AND RETAIL PRICES, 1913 TO 1917 ²²

Year	Rates of wages per hour	Rates of wages per week — full time	Retail prices of food
1913	100	100	100
1914	102	102	102
1915	103	102	101
1916	107	106	114
1917	114	112	146

²¹ Quoted in the Weekly Letter No. 65, (April 24, 1919), The National Founders' Association, p. 2.

²² *Monthly Review*, U. S. Bureau of Labor Statistics, June, 1918, p. 146. Wage figures are for the month of May of each year.

It will be seen that the average rate of wages per hour in May, 1917, was 14 per cent higher than in May, 1913, while wage rates per week, full time, showed an average increase of 12 per cent. For certain industries, of course, the advance in wages was much greater than these data indicate. The purchasing power of union wages for the period 1913 to 1917 is set forth in the table below:

TABLE VIII. INDEX NUMBERS OF THE PURCHASING POWER OF UNION WAGES AS MEASURED BY FOOD PRICES, 1913 TO 1917 ²³

Year	Purchasing power of union wages measured by retail prices of food	
	Of rates of wages per hour	Of rates of wages per week — full time
1913	100	100
1914	100	99
1915	101	101
1916	94	93
1917	78	77

From the above table it is seen that an hour's wages in 1917 purchased but 78 per cent as much food as in 1913, and a week's wages only 77 per cent as much. The Bureau's figures both as to wages and prices go back to 1907, but we are concerned here primarily with the period 1913 to 1917. The decline of 22 per cent in the purchasing power of union wages per hour and of 23 per cent in the purchasing power of union wages per week, full time, indicated in the above table is significant when one recalls the suggestion made elsewhere in this study, namely, that rising prices without a corresponding advance in wages tends to create industrial unrest.

A fact which should not be lost sight of in this connection, however, is that wages advanced in the leading occupations of the United States, and that these increases were greatest, not in the organized or unionized trades, but in those in which the union movement has made little or no progress. According to a recent investigation, wages in 1917 ranged from 11 per cent to 87 per cent higher than in 1911-1912, and from 6 per cent to 105 per cent in 1917 over 1914-1915. The three industries in which wage increases were especially notable were iron and steel, bituminous coal mining, and shipbuilding. Organization has

²³ *Ibid.*

made practically no headway in the iron and steel industry, while in bituminous coal mining organization has long been very effective. The shipbuilding industry is partly organized and partly unorganized. It would seem, then, that there is no strong connection between organization of labor and recent wage increases. For this reason the purchasing power of recent union wages is not an index of advances in real wages. For the great mass of workmen the greatest percentages of wage increase have appeared during the war in those communities characterized as "poorly organized," due to the fact that wage levels in such communities were at a very low ebb as compared with organized communities. "Unorganized labor seems more responsive to the immediate demands of the moment than is organized labor. Its wages have tended to rise more rapidly in periods of business activity and to sink more rapidly in periods of business depression." ²⁴

An example of recent wage increases in an unorganized industry is found in farming, which has never been generally and successfully organized. Farm labor during recent years has received a general increase in pay. As a general average for the whole of the United States the advance in wages per month, with board, for farm labor in 1917 over 1916 was 24.2 per cent. The increase over 1910 was 50.3 per cent. In the average rate of wages including board, for harvest hands the increase in 1917 over 1916 was 23.1 per cent; without board, 22.7 per cent. For day labor, outside of harvest, farmers paid 23.8 per cent more, including board, and 24.7 per cent more, exclusive of board. "The general fact is that the rates of wages for farm labor increased almost one-quarter in one year and about two-fifths to one-half in seven years." ²⁵

The great disturbance in the price level resulting from a state of world war focused attention upon the relation of the standard of living to wages and industrial unrest. The major demand of striking workers everywhere was for an advance in the wage scale commensurate with the increase in prices. This situation necessitated official studies of the cost of living, some of which we have cited above. In 1907, according to Dr. R. C. Chapin's

²⁴ Hanna, H. S., and Lauck, W. Jett, *Wages and the War*, pp. 3-6.

²⁵ The President's Mediation Commission, *Official Bulletin*, February 11, 1918, p. 14.

excellent study, an income less than \$800 was insufficient to guarantee the maintenance of a normal standard, and an income of \$900 or over would probably sustain such a standard, at least as far as the physical man was concerned.²⁶ In 1914 the minimum-of-subsistence budget for New York City which was set by the New York Factory Investigation Commission was \$876. In 1915 the Bureau of Personal Service of the Board of Estimate and Apportionment of New York City estimated that the minimum budget for an unskilled laborer's family in New York was \$845.²⁷ These estimates were made before the great upheaval in prices began, which was noticeable first in the summer of 1915. Since that time numerous changes have been made in the so called "normal standards" of living. The cost-of-living division of the National War Labor Board, basing its conclusion upon data collected by the United States Bureau of Labor Statistics in 1918, showed that a family of five in a large eastern city should have an income of \$1,380 in order to maintain a minimum of subsistence. Later the board set budget of \$1,760 to cover minimum subsistence expenditures. The apportionment of a family budget in the New York shipbuilding district in November, 1918, was: food, \$607.02; clothing, \$200.07; housing, \$174.14; fuel and light, \$62.21; furniture, etc., \$43.58; miscellaneous, \$261.62. The statistics for Seattle in June, 1917, give the following apportionment: food, \$576.38; clothing, \$240.70; housing, \$211.51; fuel and light, \$73.19; furniture, etc., \$73.87; miscellaneous, \$393.45.²⁸ These data indicate that the family budget in New York in 1918 called for a minimum income of \$1,348.64; while the Seattle budget required an income of \$1,569.10. Similar minimum-subsistence budgets were compiled from other investigations, including the packing house investigation in Chicago in 1918. The same budget which necessitated an income of between \$700 and \$900 in 1907 and 1914, required in 1918 a minimum income of from \$1,300 to \$1,600. "It seems

²⁶ Chapin, R. C., *Standard of Living Among Workingmen's Families in New York*, pp. 245, 246.

²⁷ Ogburn, William F., *The Annals of the American Academy of Social and Political Science*, Vol. LXXXI, No. 170 (January, 1919), p. 115. See also *Monthly Labor Review*, U. S. Bureau of Labor Statistics, March, 1919, pp. 5, 6.

²⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, March, 1919, pp. 5, 6.

fairly clear that in June, 1918, the minimum of subsistence for a family of five living in a large eastern city was from \$1,350-\$1,400. If the cost of living since June, 1918, to the present time (November, 1918) has risen 10 per cent, then a minimum of subsistence at the present time costs about \$1,500 for a family of five in a large eastern city."²⁹ All this means that the family income in 1918 would have to increase approximately 100 per cent to guarantee the same standard of living as obtained in 1907. Income, however, did not keep pace with the level of prices, and the discrepancy between prices and income contributed most to the spread of industrial unrest during the war. This fact is attested by the numerous cases that came up for adjudication before such agencies as the President's Mediation Commission, the War Labor Board, the Shipbuilding Labor Adjustment Board, and the Division of Conciliation of the Department of Labor.

(2) *Inequality in Wage Standards.* We have already discussed the existence of inequality in wage scales as between different sections of the United States and different occupations and establishments within the same territory. It is necessary here only to point out the relation of such inequality to recent labor unrest. The increased demand for labor arising out of a state of war, coupled with the decrease in the supply of labor due to the selective draft, made it unnecessary for any laborer or group of laborers to remain in an establishment which paid a wage lower than the rates prevailing in neighboring plants. It was natural that workmen should leave the occupations and establishments in which pay was comparatively low and seek those having higher wage scales. Altho the difference between real wages was not always sufficient to repay this labor migration, nevertheless, the fact that money wages were much higher proved an effective inducement to workmen. For instance, even tho the difference in real wages was not so great as to constitute a fundamental attraction to labor, still the fact that money wages for farm labor were higher per month in 1917 for some sections of the country than for others tended to cause a conspicuous migration of farm hands. Monthly wage scales for farm labor

²⁹ Ogburn, William F., *The Annals of the American Academy of Political and Social Science*, Vol. LXXXI, No. 170 (January, 1919), p. 116.

that ranged from \$21.88 in the South Central States to \$36.23 in the North Central States west of the Mississippi River, and \$44.25 in the Western and Pacific States, with board in each case, had a decided influence upon the dislocation of the labor supply and made this kind of labor generally restive.

Another excellent example of this competition for workers and its consequent effect upon the movement of labor forces was that of the shipyards. The Shipbuilding Labor Adjustment Board fixed seventy-two and one-half cents an hour for the coppersmiths in the yards on the Atlantic Coast. The outside shops immediately offered eighty-five and ninety cents an hour and succeeded in taking seventy-five per cent of the coppersmiths out of the shipyards, which compelled the yards to sublet their coppersmith work to the outside shops.³⁰

It is true that labor was not always financially able to migrate freely to take advantage of differences in wage rates. Labor is frequently characterized by an unfortunate immobility, and in normal times this immobility conduces to destructive competition. In a period of labor shortage, however, employers are often ready to furnish sufficient inducement and immediate financial aid to enable workmen to throw up the old job and accept a new one. Labor-stealing was excessively practiced by employers during the recent war, and this resulted in marked inequality in wage scales. This inequality encouraged workmen to force their demands for wage advances within their old establishment, for they realized that if the demand was refused ample employment at higher pay was obtainable elsewhere. In this way inequality in wages stimulated industrial unrest. It was quite generally recognized by employers and government officials that the prevailing inequalities in wage rates resulted in: (a) a great increase in labor turnover; (b) encouragement of idling and inefficiency; and (c) stimulation of industrial disputes.

(3) *Deemand for a Shorter Work-day.* It is a fact too familiar for extended discussion here that the desire for a shorter work-day almost always has been a potent factor in industrial unrest. It is necessary merely to point out that during the recent world

³⁰ Macy, Everit V., *The Annals of the American Academy of Political and Social Science*, Vol. LXXXI, No. 170 (January, 1919), p. 85.

crisis this desire received quickened emphasis, and to a remarkable extent labor, under the pressure of the emergency, was successful in securing recognition of its demand for the basic eight-hour day.

The need for increased production of materials for war purposes had the rather natural effect of intensifying the demand of employers for even a longer work-day, or at least for the maintenance of the old basic schedule of ten hours. Conscious of its indispensability in the nation's war program and of the acute shortage of workers in given occupations, labor was equally emphatic in demanding a reduction in hours of work. These two desires diametrically opposed to each other resulted in an accentuation of industrial unrest. In the United States, as in England, the demand for a shorter work-day was given great impetus by the sympathetic attitude of the government towards it. This sympathy was based on the belief that there exists a very intimate relation between an eight-hour day and efficiency in production. Just before the United States entered the war Congress, desirous of protecting the principle of an eight-hour day included in one section of the Naval Appropriations law the following provision:

That in case of national emergency the President is authorized to suspend the provision of law prohibiting more than eight hours labor in any one day of persons engaged upon work covered by contracts with the United States: Provided further, That the wages of persons employed upon such contracts shall be computed on a basic day rate of eight hours work with overtime rates to be paid for at not less than time and one-half for all hours work in excess of eight hours.³¹

We have already called attention to the orders issued by the Quartermaster General and the Chief of Ordnance, as well as those of the United States Shipping Board and other government agencies relative to the basic eight-hour day and other labor safeguards.³²

Organized labor fully recognized that the great emergency incident to war increased the opportunity for the enforcement of the demand for a basic eight-hour day and heightened the probability of its establishment, in spite of opposition by employers. "The principle of a maximum work-day of eight hours has been

³¹ *Naval Appropriations Act*, approved March 4, 1917 (Public No. 391), 64th Congress, Section 180.

³² See p. 77.

endorsed by society and officially by the United States Government. The eight-hour day represents a standard of productivity, of living, and of conservation. By protecting the workers against over-fatigue and enabling them to sustain their highest degree of productivity and skill, the eight-hour work-day not only is an assurance that workers will make their most effective contribution to production, but they will also be more useful and honorable members of society."³³

When the war broke out and "the large contracts for war materials were being let organized labor insistently presented its case for the application of the eight-hour day to government contracts and government work."³⁴ In response to the demand of the representatives of labor the national government endorsed the basic eight-hour day, and this endorsement was emphatically cited as one of the fundamental causes of industrial unrest, employers insisting that the attitude of the government stimulated workers' demands for shorter hours.³⁵ Samuel Gompers is reported to have gone a step further and proposed a basic seven-hour day for the period of the war, with a view to conservation of fuel and relief of traffic congestion, which during the war constituted such grave problems to the nation. This proposal evoked great denunciation by employers and their spokesmen who insisted that "in spite of the great emergency and the necessity of maximum production, Mr. Gompers and other labor leaders have taken advantage of the situation to urge the eight-hour day and other measures calculated to reduce rather than increase production."³⁶ (Coal miners both in England and the United States have endorsed recently the six-hour day.) Manufacturers considered labor union methods the greatest menace in our country at this period, because of their insistence upon a basic eight-hour day and higher wages, for which strikes and threatened strikes were increasingly instituted.³⁷ The President's Mediation Commission which had been engaged in extensive work in mediation of labor disputes in the Pacific Northwest, stated in its report that one of the fundamental causes of industrial un-

³³ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor, 1917*, p. 93.

³⁴ *Ibid.*, p. 93.

³⁵ *Iron Age*, Vol. 101, No. 12, p. 782.

³⁶ *Ibid.*, No. 5, pp. 359, 360.

³⁷ *Ibid.*, No. 8, p. 496.

rest was the desire of the men for an eight-hour working day and the opposition of the employers to the introduction of such a day. "Opposition to the eight-hour day is carried to the point of binding members of an employers' association on the Pacific Coast by agreement to discriminate against such mills as introduce the change," and the opinion of the commission was that the basic eight-hour day in the Pacific Northwest was indispensable in order to assure stability of production and efficiency of output, and to obtain adequate labor supply in the face of better conditions elsewhere.³⁸

An examination of the cases adjusted by the National War Labor Board and the investigations of private agencies shows that the demand for shorter hours has been one of the principal causes of labor disputes during the four war years, and that it is becoming an even greater and more universal cause of industrial unrest as the years pass. For instance, of 1,156 strikes investigated by the National Industrial Conference Board fully 60 per cent were either wholly or partly attributed to the desire for a shorter working day.³⁹

(4) *Faulty Distribution of the Labor Supply and the Absence of Machinery for Better Distribution.* The fact that some industries and some localities were well supplied with workers while others were suffering from a dearth of labor was responsible for restlessness on the part of workmen, and greatly accentuated the problem of labor turnover. Where the opportunities for work are numerous labor migration tends to increase and, like a ball of snow, it increases in size the more it rolls. As the President's Mediation Commission observed:

The derangement of our labor supply is one of the great evils in industry. The shockingly large amount of labor turnover and the phenomenon of migratory labor means an enormous economic waste and involves even a greater social cost. . . . Finally, we have failed in the full use and wise direction of our labor supply, falsely called "labor shortage" because we have failed to establish a vigorous and competent system of labor distribution.⁴⁰

It might be conservatively stated that migratory labor, growing out of uncontrolled instability of employment and faulty

³⁸ *Official Bulletin*, February 11, 1918, p. 12.

³⁹ *Strikes in American Industry in War-time*, Research Report No. 3, National Industrial Conference Board, March, 1918, p. 8.

⁴⁰ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 25.

distribution of labor, is one of the most potent influences in augmenting industrial unrest. Migratory workmen are a restless, dissatisfied group and the longer the period of migration the greater becomes their restlessness. In time these "caravan" workers become sowers of the seed of discontent and industrial conflict.

(5) *Absentee Ownership and Control of Industry.* The evils of absentee landlordism have their counterpart in distant or absentee ownership and control of industry. The fact that the mining, oil, and lumber industries of the West are owned and controlled by persons who reside in the East has a significant bearing upon the growth of industrial unrest. This is the conclusion not only of economists but also of broadminded capitalists and government investigators as well.⁴¹ Technical operation of industry tends to be left increasingly to resident managers who "fail to understand and reach the mind and heart of labor because they have not the aptitude or the training or the time for wise dealing with the problems of industrial relationship."⁴² It is a familiar observation that the problem of industrial unrest has developed *pari passu* with the increase in size of modern industry. Wherever the intimate relationships and contact of employer and employee that characterize a small business establishment give way to the distant relationship that exists in gigantic modern industrial establishments, with their thousands of stockholders and absentee directors, there is lacking the surest basis of industrial peace, namely, frequent contact between employer and employed. "The result is that contact between owners and employees is practically impossible, and too frequently a chasm opens between them."⁴³ The situation is the more unfortunate because of the indifference of owners, directors, and managers to the importance of the labor problem, or the human factor in industry. The primary concern of these administrators in industry is profits, and they have hardly learned yet the economic value of a scientific solution of the labor problem.

(6) *Autocratic Government of Industry.* It is not a new

⁴¹ See the Report of the President's Mediation Commission; also the interesting pamphlets: *Brotherhood and Representation in Industry*, by John D. Rockefeller, Jr.

⁴² Report of the President's Mediation Commission, *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 12, 13.

⁴³ John D. Rockefeller, Jr., *Brotherhood of Men and Nations*, p. 8.

thought that American industry lacks a healthy basis of relationship between management and men. In fact it has been recognized for some time that American industry is in a very unhealthy condition as regards the relationship of labor and capital. This is due in part to the situation mentioned above — distant ownership and control — and in part to the insistence of employers upon traditional rights and their strong resistance to any efforts on the part of labor which might curtail these rights. Employers have insisted, and still insist, upon dealing with the individual employee and refuse to deal with the workmen through their union representatives. "Direct dealings with employees' associations are still the minority rule in the United States. In the majority of instances there is no joint dealing, and in too many instances employers are in active opposition to labor organizations. This failure to equalize the parties in adjustments of inevitable industrial conflicts is the central cause of our difficulties."⁴⁴ In the light of the present world movement for political democracy autocratic government in industry assumes an extremely unbecoming aspect, and is no doubt one of the basic causes of industrial unrest.

(7) *Inadequate Machinery for the Adjustment of Labor Disputes.* At the outbreak of the World War the United States had only one general federal agency for dealing with industrial disputes, namely, the Division of Conciliation of the Department of Labor, and few of our states had such machinery.⁴⁵ There was little or no opportunity for a peaceful settlement of disputes, and industrial peace was left to passionate rivalry and antagonism of divergent and competitive interests. Law gave way to force, and order gave place to strikes, boycotts, blacklists, and lockouts. A coördinated, continuous, widely disseminated system of adjusting disputes would have done much to avert this disorder.

(8) *The Prevalence of Profiteering.* Reports of profiteering in foodstuffs, clothing, and rents are too familiar to warrant detailed treatment here. The fines and other penalties imposed by the United States Food Administration, and the evidence of the

⁴⁴ See the Report of the President's Mediation Commission, *Sixth Annual Report of the Secretary of Labor*, 1918, p. 24.

⁴⁵ The United States Board of Mediation and Conciliation was created in 1913 to deal exclusively with industrial disputes on railroads.

Division of Industrial Housing of the United States Department of Labor quoted elsewhere in this study are striking testimonials of the prevalence of profiteering during the period of the war.⁴⁶

The findings of the Federal Trade Commission supported the conviction of labor relative to profiteering. Altho their findings have been the subject of much controversy and dispute and the validity of their statement not unqualifiedly accepted, nevertheless, they show the trend of business earnings and certainly support the claims of labor in regard to excess profits. The commission pointed out that the net income of the United States Steel Corporation for 1917 was \$224,738,908, of which about one-tenth was applicable to interest on bonds of the corporation and the rest was available for dividends and surplus. Profits in the several mills ranged from 52.63 per cent to 109.05 per cent. In the copper industry profits for 1917 ranged from one per cent to 107 per cent on the investments; in the petroleum industry profits ranged from losses up to 122 per cent. The meat packing industry was an especial target for the commission's attack. Four of the big meat packers (Armour, Swift, Morris, and Cudahy) had an aggregate annual average pre-war profit (1912, 1913, and 1914) of \$19,000,000; in 1915 they earned \$17,000,000 excess profits over the annual average for the pre-war period; in 1916, \$36,000,000 more profit than the annual average for the pre-war period; and in 1917, \$68,000,000 more profit than the annual average for the pre-war period. During the three war years (1915-1917) their total profits reached the very large figure of \$140,000,000, of which \$121,000,000 represents excess over their aggregate annual average profits for the three pre-war years. Much of this increased profit was due to higher prices rather than to increased volume of business, the return of profit increasing 400 per cent, or two and one-half times as much as the sales.⁴⁷ The commission gives statistics of profits for several other industries, such as leather and leather goods, salmon canning, canned milk, coal, zine, sulphur, and nickel, aggregating 200 per cent in some cases.

⁴⁶ See p. 94.

⁴⁷ *Profiteering*, Senate Document No. 248, 65th Congress, 2nd Session, pp. 9-13. The packers have disputed the conclusions of the Federal Trade Commission, and maintained that their profits have been only a small percentage on the aggregate business handled.

Workingmen soon awakened to the fact that whatever advances in wages they were able to secure were counteracted by similar if not greater advances in the prices of commodities and in rents. Labor generally demanded that profiteering cease, and the President's Mediation Commission concluded that until it did cease a sense of inequality and exploitation would cause labor to withhold its most productive effort.⁴⁸

(9) *The Spread of Internationalism.* The last few years have witnessed a remarkable development of the spirit of universal brotherhood among workmen. International labor conferences and labor missions have been but the tangible evidence of this increasing consciousness of solidarity of interests among the men who toil in the world's industries. The growth of liberalism, and often of socialism and syndicalism, among American workmen in recent years — a growth which cannot be measured in terms of recorded membership of these respective groups — has stimulated rigid insistence upon the demands for higher wages, shorter hours, better conditions of employment, recognition of the union, and so on. In other words, industrial unrest has gathered momentum in proportion to the spread of liberalism and radical ideas, for labor received therefrom fresh inspiration for more insistent demands for industrial justice.

SPECIFIC CAUSES OF INDUSTRIAL UNREST

The specific conditions to which the recent spread of industrial difficulties must be attributed are the same, greatly accentuated, as have always been responsible for maladjustment in industrial relations. Under the abnormal circumstances of the great war these specific causes assumed a much more serious and dynamic character. The necessity for maximum production of every kind of essential commodity and the resultant excessive demand for labor coupled with diminution of the supply, constituted an unusually opportune time for insistence upon labor's demands and the widening of the breach between labor and capital. The consequent urgent presentation of ultimata by the workers who suddenly became conscious of a new independence and a strategic position during the war, brought into a clearer light the specific basic industrial conditions that make up the ferment in the strained relations between employers and employees.

⁴⁸ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 25.

(1) *Inadequate Housing and Transportation Facilities.* Industrial expansion incident to the war was so great that in many manufacturing centers the number of workmen soon outran the housing and the transportation facilities for their accommodation.⁴⁹ It was at once apparent that where such facilities were lacking labor unrest and labor turnover greatly increased.

(2) *The Lack of a Healthful, Desirable Social Environment in Industrial Neighborhoods.* Isolated mining, lumber, and oil camps have too frequently been devoid of any healthful social and recreational facilities, and some entrepreneurs and capitalists have learned in recent years that there is a very definite relation between this condition and the growth of industrial problems pertaining to labor. The importance of fostering a community spirit through facilities for social, recreational, and intellectual development is receiving tardy attention as a means of allaying labor unrest. The period of the war has done much to emphasize this phase of the labor problem, and the period of reconstruction is revealing throughout the world a sincere and profound interest in socio-industrial conditions.

(3) *Adjustment of Compensation for Overtime, Night-work, Holidays, and Sundays.* The speeding up of production incident to the war necessitated an increase in overtime, holiday, Sunday, and night-work. This created among workmen a demand for readjustment of the basic standards of pay for extra work, and this demand constituted one of the several irritants in creating unrest. The awards made by the National War Labor Board and other agencies of mediation, conciliation, and arbitration generally contained the stipulation that workers should be paid one and one-half times the regular wages for all time in excess of eight hours, and double time for Sundays and holidays, except where they are shift workers. The holidays specified included New Year's, Washington's birthday, Lincoln's birthday, Decoration Day, the Fourth of July, Labor Day, Thanksgiving Day, and Christmas.⁵⁰

(4) *Discrimination against Union Employees, and the Use of Intimidation and Coercion by both Employers and Employees.* The prevalence of the complaint made by workers that employers

⁴⁹ See the *Seventh Annual Report of the Secretary of Labor, 1918*, pp. 130-136.

⁵⁰ See awards of the National War Labor Board.

openly or secretly discriminated against members of trades-unions was noticeable during the recent emergency. It was a basic cause of unrest in the packing industry and in the mining industry, as well as in other lines of production.⁵¹ In many instances workmen testified that the opposition of employers took the form of intimidation, coercion, and dismissal. On the other hand, employers urged that union employees were intimidating and coercing other workmen into joining the union. Frequently, however, investigation revealed that the evidence was not sufficient to establish findings in regard to this matter.⁵² Whether the basis of complaint in regard to intimidation and coercion by either side was real or imaginary, it appeared as one of the causes of industrial unrest during the war period. That discrimination against union employees was a potent cause of strikes and threatened strikes there is no room for doubt.

(5) *Demand for Recognition of the Union.* This is a familiar cause of industrial disputes, and it has received added impetus recently from the fact that governmental agencies created to deal with the problem of labor unrest have generally recognized and established the principle of the right of workmen to organize and bargain collectively. Similar recognition has been given to organizations of employers. The fundamental principles upon which the National War Labor Board was founded were conclusive on these points: (a) The right of workers to organize in trades-unions and to bargain collectively through their chosen representatives was recognized and affirmed. This right was not to be denied, abridged or interfered with by the employers in any manner whatsoever. (b) The right of employers to organize in associations or groups and to bargain collectively through chosen representatives was recognized and affirmed. This right was not to be denied, abridged, or interfered with by the workers in any manner whatsoever. (c) Employers were not to discharge workers for membership in trade-unions, nor for legitimate trade-union activities. (d) The workers, in the exercise of their right to organize were not to use coercive measures of any

⁵¹ See the cases that appeared before the National War Labor Board, the President's Mediation Commission, and the Division of Conciliation of the Department of Labor.

⁵² National War Labor Board, *Employees v. Sloss-Sheffield Steel Company, Birmingham, Ala.* Docket No. 12, p. 3.

kind to induce persons to join their organization nor to induce employers to bargain or deal therewith.⁵³ Recognition of the right to organize does not necessarily imply a willingness on the part of either employers to recognize and deal with the trade-union, or of the employees to bargain with employers' associations; consequently the demand for recognition of the union was one of the basic causes of labor troubles during the war.⁵⁴ Employers' opposition to trades-unions seems not to have lost any of its rigidity in some of our larger industries as a result of the war, although such opposition has decreased greatly in some parts of the country. Recent investigations have shown that direct negotiation between employers and representatives of trades-unions is not yet practiced extensively, and that in a vast number of cases there is not only no joint dealing but active opposition to labor organizations. The failure to establish collective regulation of the conditions of employment may be characterized as the central cause of our labor difficulties.⁵⁵

(6) *Undesirable Conditions of Employment.* The absence of protective regulations and other labor safeguards appeared as one of the minor causes of labor disturbance during the last few years. In an increasing number of cases there seems to be a demand by workmen for such improvements as a sufficient number of sanitary drinking fountains, lavatories, lockers, and bathing facilities; and, furthermore, where such facilities already exist, that provision be made in all departments of an establishment for keeping them in a clean and sanitary condition. A recent award in a labor dispute specified minutely that: "Sanitary drinking fountains shall be installed so that they can be kept packed with ice from May 15th to October 15th of each year."⁵⁶ Other demands for improved conditions of work have included facilities for sitting down to work and for frequent rest periods and rest rooms, especially in the case of women and children, and regulations for the safety and protection of the health of all workers.

⁵³ National War Labor Board, *Docket No. 12*, p. 3.

⁵⁴ See *Strikes in American Industry in War-time*, Research Report No. 3, National Industrial Conference Board, March, 1918, p. 8.

⁵⁵ Report of the President's Mediation Commission, *Sixth Annual Report of the Secretary of Labor*, 1918, p. 24.

⁵⁶ National War Labor Board, *Employees v. National Refining Company, Coffeyville, Kansas*, *Docket No. 27*, p. 6.

(7) *Demand for a Minimum Wage Scale.* We have already discussed the necessity of wage readjustments caused by the recent advances in the price of commodities. We have seen that wages lagged behind prices and that this fact explains in large measure the growth of industrial disputes during the war period. Workmen demanded that wage scales be advanced to keep pace with the rapidly rising level of prices. It should be especially noted, moreover, that in addition to this demand there was rigid insistence upon the establishment of a minimum wage. Examination of the cases that came before governmental agencies of conciliation and arbitration reveals a decided tendency towards a general demand for a definitely prescribed minimum. These governmental bodies, moreover, realizing the necessity of such a minimum rate of pay, very frequently embodied it in their awards. In the case of women over eighteen years of age the guaranteed minimum was usually 30 cents an hour, and for men the minimum was generally 40 cents. When women performed the same tasks as men the rates of pay were the same for both sexes. Minimum wage rates, however, did not apply to those who by reason of old age or permanent physical incapacity were unable to perform a normal day's labor, and in the case of women under twenty-one years of age were not to be rigidly applied to inexperienced beginners or apprentices.⁵⁷ These regulations were in accord with the procedure in the various states that have passed minimum wage legislation, and served to prevent injustice being done to those unable to earn the legally prescribed minimum.

(8) *Employment of Women.* The replacement of men by women as a result of the war gave rise to some difficulties and led to demands for readjustments as to compensation for work done by women. There was danger of women being employed at much lower rates than were formerly paid to men for the same work. Such a practice would increase competition and tend to pull down the wages of male employees to the level paid to women. This situation, evidenced in many establishments in recent years, led to a demand for equal pay for equal work. Arbitral awards in recent cases have specified that in case women are employed on work ordinarily performed by men they

⁵⁷ National War Labor Board, *Employees v. St. Louis Car Company*, Docket No. 4a, p. 3.

must be allowed equal pay for equal work and must not be allotted tasks disproportionate to their strength.⁵⁸

(9) *Deductions from Wages.* A practice that obtains in many industrial establishments, especially those located in remote places like some mining and lumbering camps, is the deduction from wages of specified amounts for the provision of medical attendance, school maintenance, and insurance. In some instances \$1 per month is deducted for a physician, 50 cents per month for the maintenance of a school, and \$1.25 per month for insurance. These various deductions have frequently been a source of grievance and complaint, and they constitute one of the causes of industrial unrest. A reasonable conclusion seems to be that, under the conditions prevailing in the neighborhoods in which the practice of deductions obtains, there is no other or at least no better way of providing medical service and proper educational facilities, and for this reason there is ample justification for the system, provided competent service is rendered. In the case of insurance deductions, where the charge is optional, there is little room for serious complaint, provided the men receive just compensation in case of misfortune.

Relative to the matter of deductions for these several purposes government arbitrators in a recent case concluded: "The obligation upon the company to select a physician with care and to see to the proper administration of the school fund thus created is obvious and should be strictly fulfilled. In respect to the first two charges the arbitrators find that under the conditions prevailing in the neighborhoods this is practically the only way of securing medical service and proper educational facilities. They do not find the charge for a physician unreasonable, if proper medical service is rendered. The total sum collected from all employees should secure a competent physician and surgeon and proper medical equipment."⁵⁹

(10) *The Use of the Permit System.* The permit system, as a cause of industrial unrest, may take one of two forms or both. First, a company may require a workman to obtain a permit to

⁵⁸ National War Labor Board, *Employees v. Columbus Railway, Power and Light Company*, Docket No. 46, p. 6. See also other awards of the board.

⁵⁹ National War Labor Board, *Employees v. Sloss-Sheffield Steel and Iron Company*, Birmingham, Alabama, Docket No. 12, p. 3.

change employment from one mine or establishment to another owned by the same company; second, several companies in a given territory may form an agreement by which one company requires a permit from another before a workman leaving the employment of the one shall be accepted by the other. The first of these practices seems legitimate under the present system of industrial government, for a company possesses full right to jurisdiction over its several establishments. The second practice, however, is fundamentally a disguised system of blacklisting whereby an employee, for trades-union activities or other legitimate practices in keeping with his dignity as a laborer, may find himself deprived of the opportunity to work. Objection to this second system of permits would seem a well founded basis of labor dispute and is conceived as such by many persons. William H. Taft and Frank P. Walsh, the joint chairmen of the National War Labor Board, acting as arbitrators in a recent dispute concluded on this point as follows:

With reference to the permit system, we deem it proper that the company should require the workmen to obtain a permit to change employment from one mine to another mine of the same company; but we condemn any agreement, and any practice under it equivalent to blacklisting, if it exists, by which one company requires a permit from another before a man leaving the employment of one company shall be accepted by the other.⁶⁰

(11) *Discounting Orders for Money advanced to Workmen.* The company store, with its fraudulent manipulation of book accounts, has long been recognized as a factor in industrial grievances. Less has been heard, however, of the practice of discounting orders for money advanced to employees. Either on account of low wages which prove insufficient to tide the workman and his family over from one pay-day to another, or because of undue extravagance or carelessness wage earners frequently find themselves under the necessity of requesting an advance on their wages before pay-day arrives. Either as a measure of discouraging this practice or of consciously exploiting the ignorant and unsuspecting laborer unfamiliar with current legal rates of interest, companies sometimes charge a 20 per cent discount for advances to employees. Gradual realization of this exploitation has led to strong protest by the workmen and has constituted a cause of malcontent. Higher wages and education

⁶⁰ *Ibid.*

would do much to render the practice unnecessary. Where such advances result from insufficient wages the practice of exacting a high discount certainly cannot be justified, and it is condemned by some under all other circumstances.⁶¹

(12) *The Apprenticeship System.* Rules of apprenticeship have always been jealously guarded by strongly organized skilled workers as an effective means of regulating the labor supply, and any encroachments upon these rules or any tendency to disregard them has been vigorously protested by the unions. It cannot be gainsaid that it is to the employer's advantage to break down these prolonged periods of apprenticeship and so undermine any monopoly of the supply of labor. The employer's task in this regard has been increasingly easy following the invention of mechanical appliances that enable unskilled and semi-skilled workmen to perform tasks which formerly required thoroly skilled and highly trained workmen. The period of the recent great war, in making necessary increased production, presented a strong inducement to disregard established rules of apprenticeship, and violation of regulations became one of the many causes of labor troubles. It often became necessary for arbitrators to include in their awards specific stipulations pertaining to apprenticeship, namely, that apprentices be given an opportunity to learn a trade, the character of work and compensation to be agreed upon by joint committees of workers and employers.⁶²

(13) *Demand for Specific and more Frequent Pay Days.* In many of the recent industrial disputes specific demands relative to the time of payment of wages have appeared as a minor cause. Associated with the demand for a specific and regular pay-day was the demand that only a few days' pay be retained. In some establishments it is a common practice to keep back a week's or two weeks' pay. Arbitral awards in regard to these grievances usually stipulated that pay-days shall be once per week or once in two weeks on companies' time and that no more than three days' pay should be retained.⁶³

(14) *The Polyglot Character of the Working Force.* Intelligent industrial relations can scarcely be expected to exist in

⁶¹ *Ibid.*

⁶² National War Labor Board, *Employees v. Frick Company, et al.*, Docket No. 40, p. 4.

⁶³ *Ibid.*

many American industries that have drawn the mass of their unskilled labor from the complex races of Europe. "The polyglot character of the workers adds the difficulty of racial diversities." The President's Mediation Commission in its report pointed out that in one mining camp twenty-six and in another as many as thirty-two nationalities were represented. "The industry [Arizona copper mining] contains within itself the Balkan problem on a small scale. In other camps, even where there was not great racial diversity, large numbers were non-English speaking, particularly Mexicans. The seeds of dissension among the workers render difficult their cohesion, and the presence of non-English speaking labor tends even to greater misunderstanding between management and men than in the normal American industry."⁶⁴ Moreover, the commission found little or no ground for the hope that this polyglot character of the working force in some American industries will soon be eliminated, for "the movement toward Americanization, so fruitful in its results in different parts of the country, has hardly penetrated into these outposts of industry. Next to nothing is done to integrate non-English speaking labor — citizens and prospective citizens — into our social life."⁶⁵

Writers upon the labor problem have not always placed sufficient emphasis upon the minor conditions that conduce to maladjustment in industrial relations. Attention has been focused upon the major causes such as the demands for higher wages, shorter hours and recognition of the union, and for this reason minor irritants have too frequently been overlooked. Moreover, the period of the World War — 1914 to 1918 — intensified the demands of labor and consequently all causes of industrial unrest assumed a far more serious aspect.

Examination of the totality of causes of labor troubles during the four war years would seem to justify the conclusion that the overwhelming mass of the laboring population of the United States was generally in no sense disloyal in its insistence upon demands for higher wages, shorter hours, better working conditions, etc., but that American labor, like every other class of our

⁶⁴ Report of the President's Mediation Commission, *Sixth Annual Report of the Secretary of Labor, 1918*, p. 13.

⁶⁵ *Ibid.*

citizenship, faced the necessity of adjusting itself to the new conditions such as high prices incident to a state of war. We are learning, tho very slowly, the truth already suggested in this study, that industrial unrest is in itself a symptom and not a disease. Behind this phenomenon of discordant industrial relations lie industrial conditions that are not in keeping with the dignity of American labor and therefore are not voluntarily accepted by the vast army of skilled and unskilled workers. Removal of these conditions is the primary step towards industrial peace. All other procedure is but an attempt to deal with effects and not causes, to cure the disease after it appears rather than to prevent its development. Industrial unrest, of course, will evidence itself like any other maladjustment, in spite of precautionary measures, and for this reason machinery for settling labor disputes is very necessary and frequently very efficient. But greater energy should be expended in the elimination of those conditions of industry, such as opposition to employees, organizations, insufficient wages, a long working day, and autocratic control of industry, that are responsible for the spread of discontent among the workers. The elimination of such industrial conditions promises to be one of the most effective antidotes for bolshevism and similar revolutionary proposals that seek to overthrow the present organization of society.

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Labor Problems and Labor Administration in the United States During the World War

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PART II

The Development of War Labor Administration

CHAPTER V

DECENTRALIZED LABOR ADMINISTRATION

At the time of its entry into the great war the United States did not possess adequate executive, administrative, and judicial machinery for dealing with the numerous labor problems that such an emergency is likely to uncover. Consequently we were forced to learn by the slow method of experience, which at frequent intervals proved costly. The development of our war labor administration constitutes one of the most interesting chapters in the history of our industrial reorganization for war. Characterized during the first year of our active participation in the great struggle by a series of mistaken efforts and a groping in the darkness after some solution for the perplexing and increasingly threatening labor situation, the war labor administration of the United States finally crystallized into a centralized and coördinated system. Differentiated administration, however, was replaced by centralized administration only after the labor situation threatened a complete breakdown of the national war program.

The spread of industrial unrest following our entry into the war revealed the utter inadequacy of existing labor administrative machinery to cope successfully with the problem. This situation was attributed to the fact that the functions of the Department of Labor were limited by statute and incidentally by appropriations; also because each production department of the government assumed the administration of labor conditions arising in connection with its own industrial projects. Labor disputes, dislocation of the labor supply, lack of standardization of wages, inadequate housing and transportation facilities, labor turnover, etc., were commanding attention. The Department of Labor was using its facilities to the utmost, and each of the production departments of the government was attempting to devise its own ways and means of handling its own problems. Thus there was evolved a decentralized labor administration

which obtained throughout the first year of our active participation in the war. Closer examination of the prevailing situation will show the extent of this decentralization.

1. PREEXISTING AGENCIES

Prior to the outbreak of the war two national government agencies were functioning in the adjustment of industrial grievances — the United States Board of Mediation and Conciliation, and the Division of Conciliation of the Department of Labor. In addition the Department of Labor was attempting, through the Bureau of Immigration and the Post Office, to solve the problems of employment and unemployment.

The United States Board of Mediation and Conciliation was one of several attempts to discover some means of adjusting the recurrent controversies between common carriers in interstate commerce and their employees. Legislation for this purpose was comprised in a series of acts, beginning with the act of 1888, and including the act of 1898, known as the Erdman act, the act of 1913, known as the Newlands act, and Section 8 of an act passed in 1913 which created the Department of Labor. The act of 1888 provided, on the initiative of the President of the United States, for voluntary arbitration, compulsory investigation, and publication of the decision. This act was on the statute books for ten years, and there is no record of its application as a source of arbitration. This law was superseded by the Erdman act of 1898.¹ Under the provisions of this act the chairman of the Interstate Commerce Commission and the Commissioner of Labor were required, on application of either party to the controversy, to endeavor to adjust the difficulty by mediation. During the first eight years after the enactment of the law only one attempt was made to apply it, and that was not successful. Subsequently the provisions of the law were frequently involved.²

In July, 1913, the Erdman act was superseded by the Newlands act,³ which provides for a Commissioner of Mediation and Conciliation, to be appointed by the President with the advice and consent of the Senate, the term of the commissioner's office to be seven years. The President is also authorized to designate

¹ United States, Laws 1898, C. 370.

² Commons and Andrews, *Principles of Labor Legislation*, pp. 133-137.

³ United States, Laws 1913, C. 6.

not more than two other government officials, appointed with the consent of the Senate, to constitute, with the commissioner, the United States Board of Mediation and Conciliation. An assistant commissioner is appointed in the same way to assume the duties of the commissioner in case of the latter's absence or in the event of a vacancy, and to assist him in other ways. In the case of a controversy to which the law applies either party may appeal to the Board of Mediation and Conciliation, whose duty it is to seek to adjust the controversy by amicable methods, or failing in mediation, to urge arbitration. If disruption of traffic is imminent and the public interest endangered the board may offer its services as mediator. In case of a dispute over the agreement concluded through the efforts of the board, either party may require an opinion from that body. If these attempts to settle the dispute fail, a board of arbitration may be organized, composed of six or three arbitrators. Each party to the dispute chooses two members, or one member, as the case may be, and these members select the remainder. In case of the failure of these initial members to agree on a third member or members, the board designates the remainder. Upon consent of both parties the board of arbitration is given powers of compulsory investigation. The award becomes operative in ten days after filing, unless exception is taken to a matter of law upon the record.⁴

During the four years ending June 30, 1917, the services of the Board of Mediation and Conciliation were used in seventy-one cases. Fifty of these were settled completely by mediation; six partly by mediation and partly by arbitration; eight wholly by arbitration; three by the parties themselves; one by congressional action; and one remained unsettled.⁵

The act of March 4, 1913, creating a Department of Labor, provides that the Secretary of Labor shall have power to act as mediator and to appoint commissioners of conciliation in labor disputes whenever in his judgment the interests of industrial peace may require it to be done.⁶ No appropriation was made for the expenses of the commissioners till October, 1913, and none for their compensation till April, 1914.⁷ The first appro-

⁴ Commons and Andrews, *op. cit.*, pp. 136, 137.

⁵ Willoughby, W. F., *Government Organization in War Time and After*, p. 204.

⁶ United States, Laws 1912-1913, C. 141, Section 8.

⁷ Commons and Andrews, *op. cit.*, p. 137.

priation was \$25,000; for 1915, \$50,000 was appropriated; for 1916, \$75,000; for 1918, \$175,000.⁸

The function of the Mediation Service of the Department of Labor, as it is generally known, is diplomatic rather than judicial. Its powers are not mandatory nor is any disputant required to accept its good offices.⁹ In spite of these limitations, the success of the service has been most gratifying both in peace and in war times, as is indicated by the following summary of its work.¹⁰

TABLE IX. SHOWING THE NUMBER AND THE DISPOSITION OF CASES HANDLED BY THE DIVISION OF MEDIATION AND CONCILIATION OF THE DEPARTMENT OF LABOR

	March 4, 1913, to June 30, 1914	Year ending June 30,						Total
Number of cases.....	33	42	227	378	1,217	1,780	3,667	
Adjusted	28	26	178	248	865	1,223	2,568	
Unable to adjust.....	5	10	22	47	71	111	266	
Pending .....	..	5	21	42	7	13	88	
Unclassified .....	..	1	6	41	66	214	328	
National War Labor Board..	..	..	..	..	208	219	427	

A necessary condition of the success of the Division of Conciliation was the removal of all suspicion and misapprehension concerning the neutrality of the conciliators and the purpose and policy of the division. All such misapprehension was quieted by the Secretary of Labor in his statement that: "It has been the policy of the Department of Labor not to endeavor to impose its viewpoint upon either the worker or the management in any dispute that may arise, but rather to find some basis mutually acceptable even though it may not be mutually satisfactory. In other words, the work of mediation is not a judicial work; it is not a judicial function; it is not to hear both sides and then determine the rights and wrongs of the situation, or to pass judgment and then enforce its decision. The work is diplomatic

⁸ Willoughby, W. F., *op. cit.*, p. 204.

⁹ See the *Fifth Annual Report of the Secretary of Labor*, 1917, p. 11.

¹⁰ Compiled from the *Seventh Annual Report of the Secretary of Labor*, 1919, p. 19.

rather than judicial, and it is in that spirit the problems of conciliation in labor controversies are approached.”¹¹

For some years prior to the war the Department of Labor had a service the purpose of which was to bring the manless job and the jobless man together, and to correlate as far as possible the employment services of other political units. Section 40 of the Immigration Act of February 20, 1909, provided for the organization within the Bureau of Immigration, at that time an integral part of the Department of Commerce and Labor, of a Division of Information to assist immigrants and other persons in securing employment. The Bureau of Immigration, including the Division of Information, was made a part of the Department of Labor under authority of the Act of March 4, 1913, which created the department. Upon its organization in 1914, the department converted the Division of Information into a general employment service to function in the placement of all kinds of labor. Sanction for this procedure was found in the Act creating the Division of Information, and especially in Section 1 of the organic Act of March 4, 1913, providing for a Department of Labor, which stipulated that: “The purpose of the Department of Labor shall be to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment.”¹² This reorganized employment service was called the United States Employment Service, and it functioned primarily through the Division of Information, which had been maintained as an integral part of the Bureau of Immigration.

The Employment Service mapped a more vigorous and general program. The country was divided into zones, and labor exchanges were established with sub-branches in each. On June 30, 1916, there were 20 of these zones with an equal number of labor exchanges or central offices and 62 sub-branches. In addition, the coöperation of the Post Office Department was secured, which resulted in the use of post offices throughout the country as branch agencies of the Employment Service. Co-operative relations were also established with all state and

¹¹ *Fifth Annual Report of the Secretary of Labor*, 1917, p. 11.

¹² United States, Laws 1912-1913, C. 141, Section 1.

municipal employment bureaus, the purpose being to make the federal service a sort of clearing house and coördinating agency. At a general conference between the Department of Labor and official employment services held in 1915 it was decided to organize a joint advisory council or board to promote closer relations between all public employment services, to correlate their work, and for all practical purposes to establish a national employment system.

In 1914 the federal employment service had assumed the obligation of providing farm labor to harvest the crops. This work was carried on in conjunction with the Department of Agriculture. In 1916 a women's and children's division was created for the primary purpose of placing women and juveniles in suitable employment. The federal service was functioning quite successfully, as is manifested by the fact that during the year ending June 30, 1916, 25,640 applications for help were received, requesting 109,771 laborers, and 184,481 applications came from workers seeking employment, of whom 84,953 were referred to positions and 75,195 actually furnished with work.¹³

2. LABOR PROGRAM OF THE COUNCIL OF NATIONAL DEFENSE

The facilities of the government agencies described above were utterly inadequate to meet the problems incident to a state of war, and it was imperative that new agencies be created to assist them. Even before the United States became involved in the war, the Council of National Defense had provided for a committee on labor. Samuel Gompers, chairman of this committee, called the representatives of organized labor to meet at Washington on February 28, 1917. At this assembly resolutions were passed promising labor's support of the government. A general labor conference held at Washington on March 12, 1917, also passed resolutions pledging to the government the support of organized labor in the event of war. On April 2, 1917, the committee on labor of the Council of National Defense called a meeting of the representatives of American labor and other interests to be held in Washington for the express purpose of organization. More than 150 persons attended this conference, including representatives of leading international unions, railway brotherhoods, em-

¹³ Willoughby, W. F., *op. cit.*, pp. 243-247.

ployers, and the general public, and welfare experts in the leading industries. The conference included a very desirable representation of the commercial, transportation, financial, and civic interests of the nation, and portended great results. A unity of purpose was developed among the different groups represented, and a permanent committee was selected with Samuel Gompers as chairman. This committee was composed of representatives of the several interests attending the conference. National committees were also organized for dealing with wages and hours, mediation and conciliation, welfare work, women in industry, information and statistics, cost of living, and domestic economy. At a conference of state governors called by the Council of National Defense in the spring of 1917, resolutions were passed recommending in the respective states committees on labor similar in scope and organization, to coöperate with the National Committee on Labor.¹⁴

Labor Standards. A resolution adopted at a meeting of the executive committee, Committee on Labor, and approved by the Advisory Commission and the Council, April 6, 1917, embodied a declaration of the attitude of American workmen with regard to the war. The resolution pointed out that in order to guarantee the defense and safety of the nation, and to avoid confusion and facilitate action for national defense, the following principles of conduct should be accepted: (1) Neither employers nor employees should endeavor to take advantage of the country's necessities to change existing standards, unless made imperative by economic or other emergencies, and then only after investigation and approval of the Council of National Defense; (2) state legislatures, and administrative officers charged with the enforcement of labor and health laws should make no departure from existing standards of health and welfare of workers without a declaration of the council that such departure was necessary and conduced to the national defense; state legislatures should delegate to the governor of their respective states the power to suspend or modify restrictions of labor laws when such modification or suspension was requested by the council, this power to continue for a definite period and not longer than

¹⁴ *First Annual Report of the Council of National Defense, 1917*, pp. 75, 76.

the duration of the war.¹⁵ This resolution was amplified later to clear up some misunderstanding which prevailed concerning the meaning of the phrase "no departure from present standards." The council pointed out that unless deemed necessary by its own action, the prevailing legal standards of hours, safety, sanitation, child labor, and woman labor should be maintained by both employers and employees; that changes in wages to meet the changing cost of living should be made only after investigation, mediation, or arbitration, and by no means should there be recourse to stoppage of work until all conciliatory measures had been exhausted.

*The Functions of the National Committees.*¹⁶ To deal with the questions arising between labor and capital the council provided national and divisional committees. The National Committee on wages and hours was composed of full representation of labor organizations and capital to deal with questions of hours and wages during the war. This committee assisted in incorporating in government contracts the standards for wages and hours already established by federal legislation. The National Committee on Mediation and Conciliation, consisting of seventy-five members representing wage earners, employers, and the general public, with an executive committee of five members, was created, not to arbitrate disputes but, in every case where conciliation failed, to urge arbitration, the parties to the dispute to select their own arbitrators. This committee was further empowered to cooperate in establishing industrial peace when called upon by the Council of National Defense, its Advisory Commission, the Board of Federal Mediators, the Commissioners of Mediation and Conciliation of the Department of Labor, or state boards of conciliation. Important service was thus rendered by the committee in the settlement of industrial grievances in various parts of the country, and it removed many misunderstandings in regard to government contracts. These negotiations involved many thousands of men, including iron and steel workers, packing house employees, milling employees of Minnesota, railway men, and New England textile workers. A third national committee of major importance was entrusted with welfare work.

¹⁵ *Ibid.*

¹⁶ For detailed account of these committees see *ibid.*, pp. 79-81.

Care was taken of the needs of workers during and after work hours by the establishment of precautionary measures, and safeguards of health were promoted through education, coöperation of churches, chambers of commerce, fraternal societies, employers' associations, and trades-unions. Maximum production and conservation of the health and efficiency of the human machine was the objective of this committee.¹⁷

*Sectional and Divisional Committees.*¹⁸ In addition to the major committees described above, the Council of National Defense sought to establish a more comprehensive system of labor administration by the creation of divisional and sectional committees to consider the following important matters: Provision of sustenance for dependents of men in the service; aid to employers in providing healthful conditions in dangerous trades and the creation of general sanitary conditions of employment; a campaign of education and advice relative to protection of workers in establishments manufacturing explosives and poisonous products; formulation of a code for factories, mills, and workshops covering essentials for proper and adequate light, intensity of light required, the shading of lamps, the distribution of light, and so on; investigation regarding the conditions producing industrial fatigue and the elimination of those conditions; consideration of inadequate and inoperative laws concerning ventilation and heating, with a view to suggesting greater care; provision for necessary and proper facilities for drinking water; prevention and control of occupational diseases; establishment and maintenance of desirable home nursing facilities. Other important matters to which these divisional committees were to give their attention included the installation of medical departments, or industrial health-service departments to care for the human factor in industry; training of highly skilled workmen for such trades as shipbuilding, as well as training of unskilled men, boys, and women to supplement skilled workmen; investigations and recommendations as to temporary or permanent housing facilities; organization of facilities and opportunities for recreation; public health education; advice on the employment of women in order to combine maximum efficiency with

¹⁷ *Ibid.*, p. 80.

¹⁸ For detailed account of these committees see *ibid.*, pp. 81-89.

conservation of health and labor standards; protection of unskilled workers in war industries against a lowering of existing wage scales and conditions of work.

Labor Adjustment Boards. Early in August, 1917, the Council of National Defense took a step toward a practical solution of the problem of industrial unrest by creating a Labor Adjustment Commission composed of nine members, three representing the government, three the employers, and three the employees. This commission was given jurisdiction over all disputes regarding wages or conditions of employment in establishments having government contracts in accordance with the eight-hour law of June 19, 1912, or March 3, 1913. The commission was given power to appoint labor adjustment committees to hear and determine such disputes as the commission saw fit to assign to them, involving less than 1,000 workers. Cases involving more than 1,000 workers were handled by the commission itself. Awards of the commission or any of the committees appointed by it were binding on employers and employees, and were made within thirty days after the case had been submitted for adjudication. Decisions were for specified periods but were not binding longer than sixty days after the end of the war. At all hearings both the employers and the workers were represented. Government contracts made under the two acts cited above include the basic eight-hour day for all employees, with overtime rates at not less than time and one-half for all hours in excess of eight. Whenever disputes could not be settled by employers and workers or their representatives in accordance with these specifications, the Department of Labor was given power on its own initiative or at the request of employers, workers, or the department whose contract was affected, to appoint a mediator. If this mediator failed to adjust the dispute the case was then submitted to the Adjustment Commission of the Council of National Defense for its adjudication, work always to continue pending decision.¹⁹

The labor program of the Council of National Defense, summarized above, was comprehensive and anticipated almost every

¹⁹ *Monthly Review*, U. S. Bureau of Labor Statistics, September, 1917, pp. 71-73.

conceivable problem that might arise.²⁰ Its main purpose was to secure maximum production, and at the same time to safeguard the interests and welfare of American workers. The weakness of the program is not difficult to discover. The multiplicity of committees were primarily investigating, advisory, or educational agencies, possessing few if any of the specific executive and administrative powers that are essential to successful labor administration. This coterie of committees, however, were very valuable as supplementary agencies to the more authoritative and powerful governmental bodies.

Labor Committee of the War Industries Board. Closely connected with the labor program of the Council of National Defense was the Committee on Labor of the War Industries Board. The latter Board appointed Mr. Hugh Frayne as director of the Committee on Labor, and he handled the mediation problems that arose within the Board's jurisdiction. These cases, however, were usually submitted by Mr. Frayne to other governmental agencies of mediation, altho he personally made some adjustments in an informal way.²¹

3. ACTIVITIES OF THE WAR DEPARTMENT

Emergency Construction Adjustment Commission. The necessity of constructing in the quickest possible time the sixteen cantonments and camps to house and train the millions of men made available for the army by the selective draft law entailed a serious labor problem. It was to be expected that contractors would proceed with the work regardless of labor union standards. Results were imperative, and in their eagerness to achieve these results government officials and contractors failed to take into consideration the possible interference by trades-unions in demanding adherence to union standards. The rapid spread of disputes and unrest soon forced attention to the necessity of incorporating into government contracts for cantonment construction definite stipulations concerning standards of wages, hours, and other conditions of employment that involved the building trades unions.

²⁰ The committee on labor alone consisted of approximately 500 persons. *Handbook of Information*, Army Ordnance Industrial Service Section, Nov. 1918, p. 4.

²¹ *Ibid.*

The Secretary of War was soon convinced that continuous production was dependent upon the coöperation of the workmen, and that coöperation was obtainable only upon the grounds of adequate wages and proper working conditions. On June 19, 1917, Secretary of War Baker and Samuel Gompers signed a memorandum of agreement which provided that the basic standards of employment in cantonment construction should be the union scale of wages, hours, and conditions in force on June 1, 1917, in the locality where such cantonment is situated. Consideration was to be given to special conditions requiring changes in these standards subsequent to the above date. It was further provided that there should be an adjustment commission for the adjustment and control of wages, hours, and conditions of labor in the construction of cantonments. This body, originally known as the Cantonment Adjustment Commission but later called the Emergency Construction Adjustment Commission, consisted of three persons appointed by the Secretary of War — one to represent the Army, one the public, and one labor. The last member was nominated by Samuel Gompers. All adjustments made by the commission were binding on all parties. The term union standards as used in the agreement referred only to union scales of hours and wages and did not include union shop.²²

The procedure under the above memorandum provided that (1) the commission should sit at Washington, unless ordered by the Secretary of War to go to the site of construction; (2) data should be secured relative to the union scales of wages, hours, and conditions in force on June 1, 1917, in the several localities where cantonments were being constructed, and through the Department of Labor the data on standards prevailing in the localities at the time of construction; (3) for each district a responsible, impartial examiner was to be appointed to act under orders of the commission; (4) in case employees and the contracting officer failed to settle the dispute the latter was authorized to issue a provisional order which was subject to the affirmation, revision, or readjudication of the Adjustment Commission; (5) whenever this provisional order was not accepted, there was to be no cessation of work, but details of the dispute and order were to be sent to the member of the commission representing

²² *Ibid.*, Appendix, No. 3.

the Army, and a report of the matter was to be secured by a member of the commission designated by Mr. Gompers; (6) on hearing of the failure to reach a satisfactory settlement the commission immediately was to dispatch an examiner to the site of the trouble; (7) the examiner possessed authority, under orders of the commission, to mediate between the parties, and in case he failed to effect a settlement he was instructed to file a report with a recommendation to the commission. The rulings of the commission were binding upon all parties concerned, notice of the decision being sent to the contracting officer and to the spokesmen of the parties involved in the dispute. Application of the commission's award was supervised by the examiner, and he saw to it that hours, wages, and conditions of labor conformed to the rulings. The commission was empowered also to make additional regulations in order to achieve the purpose of the agreement and to decide all questions arising under it.

On August 8, 1917, the construction of aviation fields was placed under the jurisdiction of the above commission. On September 4, 1917, the construction of warehouses and storage facilities was also placed under the authority of the same commission, and on December 28, 1917, the Secretary of War directed that all construction work undertaken by the War Department during the war was to be carried out under the original memorandum of June 9, 1917, and the supplementary memorandum of July 27, 1917.²³ This wide extension of the jurisdiction of the commission is indicative of the acceptability and effectiveness of its work. No commission was confronted with more serious problems and none accomplished its task in a more creditable manner than did the Emergency Construction Adjustment Commission. Much of the commission's success was due to the appointment of special examiners to supervise the enforcement of its awards, for these men came in close contact with the problems at issue and performed a good service in maintaining industrial peace.

General Orders of the Chief of Ordnance relative to Labor Conditions. In General Orders No. 13, issued by the Chief of Ordnance, November 15, 1917, the attitude of the War Department toward the labor problem was clearly set forth in a

²³ *Ibid.*

group of fundamental principles that conform to the standards generally endorsed by social reformers in the field of labor welfare and legislation.²⁴ The memorandum unmistakably pointed out the intimate relation between desirable working conditions and efficiency in production, and prescribed the following: (1) Daily hours of labor not to exceed ten, and better efficiency might result from an eight-hour day; adjustment of hours to the age and sex of the worker and the nature of the employment; discouragement of excessive overtime, eight-hour shifts being the maximum in a continuous twenty-four work-day; Saturday half-holiday or, if necessary, longer hours paid for on the basis of overtime. Furthermore, the policy of resting one day in seven was recognized, and for the sake of rest and relaxation national and local holidays were to be observed. The memorandum urged: (2) precautions against dangers and provision for comfort and sanitation, including good light, adequate ventilation, sufficient heat, and proper temperature; (3) maintenance of existing wage standards in the given industry and locality, and reasonable adjustment of wage scales to the rapidly changing level of prices of the necessities of life; provision of every facility for the preservation of existing and the creation of additional methods for settling industrial controversies. (5) There was to be restriction of the work of women to eight hours, prohibition of night work, provision of rest periods, adequate time and desirable place for meals, the guaranty of a half-holiday on Saturdays, provision of seats with backs and their use permitted for women workers, and a weight of twenty-five pounds was to constitute the maximum single load lift for women employees. When women replace men tasks should be adapted to their strength, and the principle of equal pay for equal work should be applied. (6) The employment of children under fourteen years of age was prohibited by this order, and children between the ages of fourteen and sixteen years were not to be employed for more than eight hours a day, or forty-eight hours a week, and night work was forbidden. Minors under eighteen years of age were to be protected as to hours as in the case of women — limited to eight hours a day with no night work. (7) No work

²⁴ Similar orders were issued by the Quartermaster General on November 19, 1917, known as "*Circular No. 18.*"

was to be given out to be done in rooms used for living purposes or in rooms directly connected with living rooms in any dwelling or tenement.²⁵

Standards of Labor in the Manufacture of Army Clothing. On August 24, 1917, the Secretary of War appointed a board of control for labor standards in the manufacture of army clothing. The function of this board was to execute the regulations of the Quartermaster General relative to the "maintenance of sound industrial and sanitary conditions in the manufacture of army clothing, inspect factories, see that the proper standards are established on government work, pass upon industrial standards maintained by bidders on army clothing, and to act so that just conditions prevail." The report of this committee which was submitted to the Secretary of War, August 18, 1917, recommended among other things that contracts should contain provision for the eight-hour law of June 19, 1912; equal pay for equal work without distinction as to sex or race; the right of collective bargaining; employment of no persons under sixteen years of age; strict compliance with local labor laws; completion of garments in the factory under control of employers making the contracts, whose establishments have passed inspection of a government agent. In addition the committee recommended that deference should be given to normal location of trade, and capacity and equipment of manufactories. In all cases contracts should be granted to centers of industry with avowed preference for manufacturers who operate under collective agreements, which also include machinery for adjustment of industrial disputes, and who have a good record for compliance with local labor laws.²⁶ The provisions outlined in the recommendations of the committee were incorporated in the government contracts for the manufacture of Army clothing; they included an eight-hour work-day, compliance with state labor laws and regulations, right of collective bargaining, amicable adjustment of industrial grievances, a minimum wage scale, licensing of premises and sanitation inspection, compliance with the provisions of the Federal Child Labor Law of September 1, 1916, and non-transfer of contracts.

²⁵ *Monthly Review*, U. S. Bureau of Labor Statistics, December, 1917, p. 51.

²⁶ *Ibid.*, October, 1917, pp. 30-33.

The above form of contract was approved by the Secretary of War and the Quartermaster General. The War Department in announcing the new form of agreement was confident that: "The grievances which have arisen in the past in connection with the performance of clothing contracts will be entirely removed by the enforcement of this contract, and decent industrial standards not only established but also enforced by the Government. The Department feels that there will be no justification for any delay hereafter in the delivery of clothing for our soldiers."²⁷

Harness and Saddlery Adjustment Commission. Other endeavors of the War Department to solve the problems of labor, especially the element of industrial unrest, included the creation of the Harness and Saddlery Adjustment Commission whose duty it was to fix wage rates for employees in all those factories supplying leather goods and harness and accessories, but not to include shoes.²⁸ On September 26, 1917, an agreement was entered into between the government and the representatives of the leather manufacturers and leather workers whereby there was created a National Harness and Saddlery Adjustment Commission composed of four members, of whom two were appointed by the Secretary of War to represent the public, one by the manufacturers, and one by the United Leather Workers International Union.²⁹ One of the members of the commission was designated by the Secretary of War as chairman. Each member, including the chairman, was entitled to one vote, and a majority of votes governed in all cases. The duties of the commission were to adjust all existing and future disputes as to wages, hours, and conditions of labor under government contracts, and to prescribe regulations for enforcement of decisions. Awards were binding on all parties concerned. The agreement was to remain in force during the war period, no interruption of work on government contracts was to be allowed, manufacturers were to be compensated when wage scales increased under the agreement, wage standards were not to be less than those in effect

²⁷ *Ibid.*, p. 31.

²⁸ *Handbook of Information*, Army Ordnance Industrial Service Section, November, 1918, p. 8.

²⁹ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor*, 1917, pp. 86, 87.

in the community, and the same rates of wages were to be paid for union and non-union labor.

Arsenals and Navy Yards Commission. In addition to the above there was established, under the authority of the Secretary of War and the Secretary of the Navy, the Arsenals and Navy Yards Commission, with Assistant Secretary of the Navy Roosevelt as chairman. This commission had jurisdiction in all cases that could not be settled by representatives of the Army and Navy. Major B. H. Gitchell, of the office of the Secretary of War, had charge of wage adjustments in the arsenals, while adjustment in the Navy Yards were handled by Louis McHowe, confidential assistant to the Assistant Secretary of the Navy. The work of these commissioners was so successfully accomplished that there was never any need for reference to the Commission.³⁰

4. SHIPBUILDING LABOR ADJUSTMENT BOARD

Maximum production in the shipbuilding industry during the war was of the utmost importance, on account of the increasing menace of enemy submarines. The necessity for increased production, however, did not prevent the spread of industrial unrest and disputes, the increase of labor turnover, and the conscious withdrawal of efforts in the shipyards on the Atlantic, Pacific, and Gulf coasts, and on the Great Lakes. To solve these and other serious problems of labor the Emergency Fleet Corporation of the United States Shipping Board established the Shipbuilding Labor Adjustment Board and other conciliatory agencies.

The Shipbuilding Labor Adjustment Board was instituted by agreements entered into on August 29, 1917, and December 8, 1917, by the Navy Department, the Emergency Fleet Corporation, and certain labor leaders. This board dealt exclusively with adjustments of wages, hours, and conditions of labor in the construction or repair of those shipbuilding plants for which funds were provided by the United States Shipping Board Emergency Fleet Corporation or the Navy, and in the construction or repair of ships carried on under contract with the Emergency Fleet Corporation, exclusive of work done in the Navy Yards.

³⁰ *Handbook of Information*, Army Ordnance Industrial Service Section, November, 1918, p. 12.

The board consisted of three persons, one appointed jointly by the Emergency Fleet Corporation and the Navy Department; one representing the public, appointed by the President of the United States; and one representing labor, appointed by Samuel Gompers.³¹ In fact, Mr. Gompers nominated two members, one to represent the metal trades in all disputes concerning the construction of shipyards and steel ships, and one to represent the trades primarily concerned in the construction of wooden hulls. In the event that both of these trades were involved in a dispute the two members would determine which one should sit in the conference, or if they failed to agree in this matter Mr. Gompers made the selection. Representatives of employers and employees of the production plants in which grievances arose were given the right to sit with voting power as associate members of the board. In all controversies in private plants in which there was also construction for the Navy Department, the Navy Department was represented by the Secretary of the Navy or a person designated by him to sit with voting power as a member of the board. In case of a tie when the board was so constituted, the decision was left to the Secretary of War as chairman of the Council of National Defense or to some person appointed by him.

The construction plants coming under the jurisdiction of the board were geographically districted. In each district the contractors and the representatives of international labor organizations concerned in the construction work selected a person or persons to act as examiner or examiners in the said district, or the board itself selected these officials in case it seemed advisable, or if the above parties could not agree. All disputes with reference to wages, hours, or conditions of labor were reported by the district officer of the Emergency Fleet Corporation to the board and to the district examiner.

The Adjustment Board was instructed to use as basic standards the wage rates prevailing in the district in which the dispute arose, provided such wage rates had been established through agreements between employer and employees and were accepted as equitable. Consideration was given, however, to any circumstances arising after such wages, hours, or conditions were estab-

³¹ *Memorandum for the Adjustment of Wages, Hours, and Conditions of Labor in Shipbuilding Plants*, United States Shipping Board, p. 1.

lished, and which seemed to call for changes.³² In the absence of such an agreement between employers and workmen, as in a new industrial district, the standards introduced in districts having similar living conditions and cost of living were established. It was wisely provided that the board should keep itself fully informed as to the relation between living costs in the several districts and their comparison at specific intervals. This latter provision was generally adopted by the numerous boards and commissions in dealing with the labor situation.

The decisions of the Shipbuilding Labor Adjustment Board were made retroactive, and at any time after six months had elapsed following ratification of the agreement or final decision by the board the questions could be reopened by it for readjustment, upon request of the majority of the craft or crafts concerned, provided it could be demonstrated that there had been a general and material increase in the cost of living. The board's decisions were final and binding on all parties within these prescribed limits, altho either party possessed the right of appeal to a Board of Review and Appeal consisting of three members named jointly by the United States Shipping Board Emergency Fleet Corporation and the United States Navy Department, and three named by the President of the American Federation of Labor.³³

The accomplishments of the Shipbuilding Adjustment Board should be noted.³⁴ The principal characteristics of the decisions of the board in cases that arose in shipyards on the Atlantic, Pacific, and Gulf coasts and on the Great Lakes were: (1) the establishment of a uniform national scale of wages for all skilled trades and the adjustment of wage standards to meet the increase in the cost of living. For example, the average increase in the cost of living on the Pacific Coast from October, 1917, to October, 1918, was 20 per cent, and the board in applying this average

³² *Ibid.*, p. 2.

³³ *Ibid.*, p. 3.

³⁴ For the greater details of the operation of the Board the reader is referred to the following: *Decision as to Wages, Hours, and other Conditions in Pacific Coast Shipyards by the Shipbuilding Labor Adjustment Board*, October 1, 1918, and the *Decision as to Wages, Hours, and other Conditions in Atlantic Coast, Gulf and Great Lakes Shipyards by the Shipbuilding Labor Adjustment Board*, October 1, 1918.

increase to the basic daily wage of \$5.25 established by an earlier decision, made the new basic wage \$6.30 or 78 $\frac{3}{4}$ cents an hour, while for the Atlantic Coast, Gulf, and Great Lakes for the eight months from December, 1917, to August, 1918, the cost of living advanced 15 per cent and the basic hourly rate of 70 cents was replaced by a new rate of 80 $\frac{1}{2}$ cents. In the interests of uniformity and the prevention of labor unrest and turnover the basic hourly wage rate for the principal skilled crafts was made 80 cents. No such uniform scale was made for common laborers, but the wages were advanced as much or more than increases in the cost of living. (2) Payment of transportation expenses of employees incurred in going to and from their work in the shipyards.³⁵ (3) Organization of shop committees for the adjustment of grievances between management and labor, especially where no joint agreement between shipyard owners and labor organizations had been effected. The organization and work of these committees is worthy of note. The employees of each craft or calling in a shop or yard selected three of their number to represent them as members of a shop committee. Each member served for a term of six months and was selected by majority vote through secret ballot, in such manner as the workers directed. Vacancies for an unexpired term were filled by ballot, and out-going committee members were eligible for reelection. The chairman of each shop committee was a member of a joint shop committee, which by ballot selected five of its members to act as an executive committee to represent it in conferences with the superintendent or higher officials of the company. The district examiner was authorized to pass upon the validity of the election of a shop committee in case a protest was filed, and to supervise a new election when such an election seemed to him necessary. When a grievance arose it was taken up by the craft or laborers' committee with the foreman or general foreman. Failing an adjustment, the craft or laborers' committee took the matter up with the superintendent, and if deemed necessary by the committee it selected a special representative to assist it in the conference with the superintendent or higher officials. In

³⁵ *Decision as to Wages, Hours, and Other Conditions in Atlantic Coast, Gulf and Great Lakes Shipyards, by Shipbuilding Adjustment Board, October 1, 1918, p. 1-3.*

case the dispute concerned more than one craft, the matter was negotiated through the joint shop committee, first with the superintendent and then, failing a settlement, with the higher officials of the company. In these conferences the joint committee of the crafts had the right to call in a special representative to assist it. Whenever this conference failed to effect a settlement of the grievance, the matter was submitted to the district examiner. To prevent discrimination against duly elected committeemen, it was provided that in case such a committeeman was found to have been discharged without just and sufficient cause, after due investigation by the committee, he was reinstated with full pay for all time lost. Other phases of the board's awards included the prohibition of discrimination against union or non-union men, weekly payment of wages, prompt payment on withdrawal from employment, provision of medical aid, provision of adequate toilets, washing facilities and drinking water, and prevention of reduction in wages of individual employees.³⁶

5. ADJUSTMENT OF LABOR DISPUTES IN LOADING AND UNLOADING SHIPS

The importance of prompt and uninterrupted action in the loading and unloading of vessels is too obvious to need emphasis here. All our efforts in prosecuting the war would have been futile had our machinery broken down at this point. To assure the dispatch of vessels from our Atlantic, Gulf, and Pacific ports, therefore, it was necessary to find adequate means for the adjustment of grievances over wages, hours, and other conditions of labor in this field. During the latter part of August, 1917, an agreement was reached and announced by the United States Shipping Board, the Secretary of War, the International Longshoremen's Association (numbering about 150,000 members on all coasts), the Secretary of Labor, the President of the American Federation of Labor, and the Chief of Shipping Operations. This agreement provided for a national commission to consider and adjust all disputes arising in connection with loading and unloading of vessels in Atlantic, Gulf, and Pacific ports. The terms of the agreement which was formally assented to by the United States Shipping Board and the International Longshore-

³⁶ *Ibid.*, pp. 7-10.

men's Association included the following provisions: (1) The union scale of wages, hours, and conditions in force August 1, 1917, in a given port was to constitute the basic standard. (2) All differences in a particular port were to be adjusted by a local commission when possible. This commission was appointed in each case by the national commission mentioned above, and consisted of one member representing the Shipping Board and the War Department, one nominated by the Longshoremen's Association to represent labor, and one nominated by the carriers to represent the shipping interests. In each case an appeal could be made from the decision of the local commission to the national commission. (3) Consideration was to be given to the necessity of changing standards to meet the changes in the cost of living. (4) There was to be no interruption of work pending the action of the local commission or the decision of the national commission. (5) The decision of the national commission was to be binding on all parties concerned.³⁷

6. RAILWAY BOARDS OF ADJUSTMENT

Railroads have been aptly described as the arteries of national life. Should these arteries cease to function even for a brief time national existence is threatened and individual activity paralyzed. The labor situation on American railroads has been extremely acute at no infrequent intervals, and one of these critical periods was during the great war, especially before the government assumed control of the roads. Labor unrest did not subside with the enactment of the Adamson eight-hour law, but gathered momentum with the demands for higher rates of wages to cover the increasing cost of living.

To settle all controversies arising over wages, hours, and other conditions of labor on the railroads, the United States Railroad Administration formulated a definite policy and provided machinery of adjustment. Boards of adjustment were organized by agreement between representatives of the Railroad Administration and the "big four" brotherhoods—engineers, conductors, trainmen and firemen, and enginemen. Railway Board of Adjustment No. 1 consisted of eight members—four selected by the regional directors of the lines and compensated by the

³⁷ *Report of the Proceedings of the Thirty-seventh Annual Convention of the American Federation of Labor, 1917*, pp. 85, 86.

railroads, and one each by the chief executive officer of each of the railroad brotherhoods and compensated by them. Railway Board of Adjustment No. 2 consisted of twelve members — six selected by the regional directors and paid by the roads, and one each by the chief executive of the International Brotherhood of Electrical Workers, Amalgamated Sheet Metal Workers' International Alliance, Brotherhood of Railway Car-men of America, International Brotherhood of Blacksmiths and Helpers, International Brotherhood of Boilermakers, Iron Shipbuilders and Helpers of America, and International Association of Machinists.³⁸

The boards of adjustment just described met in Washington at stated times each month and continued in session until all matters before them were considered. Subdivisions of the boards were provided for to conduct hearings and pass on controversies when properly submitted at any place designated by the boards, but such subdivisions were not authorized to make final decision, these decisions being reserved for the consideration of each of the boards as a whole. The boards were authorized to adjust disputes over the application of the eight-hour law, formerly cared for by the Commission of Eight. The question of wages and hours was generally left to the Railroad Wage Commission, but matters of dispute arising from interpretations of wage agreements, not including matters passed upon by the Railroad Wage Commission, were decided by the adjustment boards. Differences arising between management and employees on the respective roads, regarding the incorporation in existing agreements of wages and hours fixed by the Director General of the Railroads, were decided by the boards, subject to review by the Director General. Personal grievances or controversies arising under interpretation of wage agreements, and all other disputes between officials of the railroads and their employees, when failing of adjustment by the local authorities, were submitted to the Director of the Division of Labor of the United States Railroad Administration who in turn presented the case to the appropriate Railway Adjustment Board for consideration and decision. In all cases coming before these boards both parties were

³⁸ For detailed account of these boards and their functions see *United States Railroad Administration Bulletin*, No. 4, 1918, pp. 46-49, 100-103.

accorded representation. A majority vote of the board in each case was necessary for final decision, and, if impossible to secure a majority vote, the final determination rested with the Director General. All agreements became effective upon their approval by the Director General, and continued in force for the duration of the war, and thereafter, unless a majority of representatives of the railroads or of the employees desired to terminate the agreement, in which case thirty days formal notice was necessary. The Director General, however, possessed the power to terminate all agreements at his own discretion, upon serving similar notice.³⁹

7. THE RAILROAD WAGE COMMISSION

Previous to the establishment of the above boards of adjustment the Director General had, on January 18, 1918, in his General Order No. 5, provided for the organization of a Railroad Wage Commission.⁴⁰ When Director General William G. McAdoo assumed control of railway operation in the United States on December 28, 1917, he was confronted with serious labor troubles expressed in terms of demands for higher wages and general improvement of working conditions. The commission which he appointed to handle the situation consisted of Franklin K. Lane, Secretary of the Interior; Charles C. McChord, member of the Interstate Commerce Commission; J. Harvey Covington, Chief Justice of the Supreme Court of the District of Columbia; and William R. Willcox, of New York. The function of this Commission was to "make a general investigation of the compensation of persons in the railroad service, the relation of railroad wages to wages in other industries, the conditions respecting wages in different parts of the country, the special emergency respecting wages which exists at this time owing to war relation between different classes of railroad labor." The commission was instructed to begin its work immediately and to recommend in general terms changes in compensation of railroad employees which seemed to it necessary. This investigation was facilitated by the order of the Director General instructing offi-

³⁹ *Bulletin No. 4*, United States Railroad Administration, 1918, pp. 46-49, 101-103.

⁴⁰ Railway Adjustment Boards No. 1 and No. 2 were established on March 22, 1918, and May 31, 1918, respectively. *Ibid.*, pp. 46 and 100.

cers, agents, and employees of the roads to furnish upon request all information required.⁴¹

The report of the above commission is a noteworthy document, the result of comprehensive and intensive study of the general labor situation on the railroads of the United States, together with a general study of the experience of Great Britain and France.⁴² Many of the major suggestions made by the commission were embodied in and made effective by General Order No. 27 of the Director General, issued March 25, 1918. This order provided for an annual increase in wages aggregating about \$300,000,000, the adoption of the basic eight-hour day, special rates of pay for overtime, equal pay for equal work when women perform tasks similar to the ones performed by men, protection of the health and lives of employees, equal pay for colored employees doing the same service as white workers, and the establishment of a board of railroad wages and working conditions. The Director General in creating the Board of Railroad Wages and Working Conditions stated that the problem of doing justice to the 2,000,000 railroad employees of the country could not be settled and disposed of by one decision or order and for this reason a permanent board of investigation and administration was necessary.⁴³ This statement takes cognizance of a principle long desired but not until recently instituted in programs and policies of labor administration in the United States, namely, the inadequacy of temporary commissions and boards, and the necessity of providing permanent commissions. Permanently organized and continuously operating labor boards are one of the most necessary prerequisites to a successful solution of industrial unrest and other serious labor problems in the United States.

The functions of the Board of Railroad Wages and Conditions were outlined by the Director General as follows: To investigate all matters presented by railroad employees or their representatives affecting (1) inequalities as to wages and working hours, whether of individuals or classes of workers; (2) conditions arising from competition with employees in other indus-

⁴¹ *Bulletin No. 4*, U. S. Railroad Administration, 1918, p. 25.

⁴² See *Report of the Railroad Wage Commission to the Director General of Railroads*, April 30, 1918.

⁴³ See *General Order No. 27*, U. S. Railroad Administration, May 25, 1918.

tries; (3) rules and working conditions for the several classes of employees, either for the country as a whole or for different parts of the country. In addition, the board was empowered to hear and investigate other matters affecting wages and conditions of employment referred to it by the Director General. It should be noted, however, that the board was solely an advisory body and all its recommendations were submitted to the Director General for his determination.⁴⁴ This was the essential weakness of the board. Had it been clothed with final disposition of cases and authority to enforce awards and findings, its success could have been greater.

8. LABOR POLICY OF THE FUEL ADMINISTRATION

The development of a comprehensive plan of labor administration in the United States was bound to include the Fuel Administration, whose work was so intimately related to the production and distribution of one of the most essential commodities. In July, 1918, a conference was held at Washington between Mr. Garfield, fuel administrator, and the officers of the United Mine Workers of America, at which an agreement was made whereby all questions relating to mine labor were to remain under the jurisdiction of the Fuel Administration.⁴⁵ A bureau of labor was established, to which all problems pertaining to mine labor were to be referred. Certain fundamental principles were accepted to govern the settlement of all controversies that might arise. In the main, these principles were the same as those outlined by the War Labor Board, which are summarized elsewhere in this study.⁴⁶ A rule, peculiar to the mining labor situation, provided that the so called automatic penalty clause then in force was to be accepted as a primary principle by the mine workers in collective bargaining during the war, and was to be included in all agreements as a prerequisite to any advances in the fixed prices granted by the Fuel Administration to the mine operators. The penalty clause here referred to developed out of the President's Orders of October 27, 1917, which provided that miners who struck without cause would be fined \$1.00 a day

⁴⁴ *Ibid.*, p. 24.

⁴⁵ *Official Bulletin*, July 25, 1918, p. 13.

⁴⁶ See pp. 165, 166.

each, and mine operators locking out their employees would be fined \$2.00 a day for each man not working.⁴⁷

The labor policy of the Fuel Administration was created only after most serious difficulties had arisen at frequent intervals. Mine workers everywhere were restive. For this situation the mine operators themselves were partly responsible, because they did not hesitate to bid against each other in their eagerness to obtain workers. This competition encouraged labor turnover and greatly decreased the productivity of the mines. In an attempt to remedy this situation Mr. Garfield issued a warning against the payment of bonuses in any form as being a violation of the spirit of the agreement made by the operators and the miners with the President. He urged that such practices cease, and threatened that if the payment of bonuses continued he would assume that the prices of coal were too high and would order a reduction.⁴⁸ Moreover, it had been necessary frequently for the administrator to exert pressure on both miners and operators to prevent a shutdown of the mines. For instance, in October, 1917, when the question of coal prices was being considered, Mr. Garfield warned the miners of the southwestern district in the following words: "There are evidently some who fail to understand the gravity of the situation and who do not hesitate to advocate strikes at the present time as a means of forcing the government to at once decide whether the wage increase agreed to at meetings recently held at Washington by the operators and miners of the Central District should justly be covered by an advance in the prices fixed by the President. . . . If either the operators or the miners attempt to bring pressure upon me to reach a decision, I shall postpone it and use whatever powers are necessary to compel the production of coal to meet the country's needs."⁴⁹ Similar warnings were given the mine operators in Oklahoma.⁵⁰

9. UNITED STATES BOARD OF MEDIATION AND CONCILIATION

When the government assumed control of the railroads on December 28, 1917, it took over less than 200 of the 2700 railroads

⁴⁷ *Commercial and Financial Chronicle*, December 1, 1917, p. 240.

⁴⁸ *Official Bulletin*, August 6, 1918, p. 7.

⁴⁹ *Commercial and Financial Chronicle*, October 20, 1918, p. 1586.

⁵⁰ *Ibid.*, December 1, 1917, p. 2139.

in the United States.⁵¹ Obviously the agencies described above were not sufficient to deal with the multiplicity of labor troubles that were evidencing themselves on the various transportation systems throughout the country during the war. The controversies that arose on the railroads not under government control were, therefore, taken care of by the United States Board of Mediation and Conciliation, created under the authority of the Newlands Act of 1913, to have jurisdiction over labor disputes in connection with common carriers in interstate commerce.⁵² During the period of the war this board was more active than it had been since its inception, and it accomplished greater results.

10. THE PRESIDENT'S MEDIATION COMMISSION

The problem of industrial unrest became so acute in the western states during the summer of 1917 that Samuel Gompers in a conference with President Wilson urged government interference and action — a somewhat unusual suggestion for a leader of American organized labor who generally frowns upon government interference. The President soon appreciated the gravity of the situation, and requested the Council of National Defense to give the matter its earnest and immediate consideration with a view to devising some means of dealing with the problem. This has been characterized as the first concrete evidence during the war of an attitude toward the labor problem on the part of the President himself.⁵³ In response to the President's request the Council made a counter proposal that the President appoint a commission to investigate the conditions in the western and Pacific coast regions, and to adjust, if possible, the many grievances that had arisen there. The necessity of government interference was obvious to organized labor which feared possible developments of a radical nature. Labor's conception of the situation was plainly expressed in the following words at the annual convention of the American Federation of labor:

The extent and nature of industrial unrest that has been manifested in the western part of this country has been the cause of deep concern to those responsible for the conduct of the nation's affairs. This unrest has a back-

⁵¹ *Handbook of Information*, Army Ordnance Industrial Service Section, November, 1918, p. 12.

⁵² United States Laws, 1913, C. 6.

⁵³ Wehle, Louis B., *Quarterly Journal of Economics*, XXXII (February, 1918), p. 335.

ground of discontent growing out of industrial and social conditions. . . . From Washington, Montana, Idaho, Michigan, New Mexico, Arizona, and other places come reports that wage-earners and representatives of the organized labor movement were illegally arrested, denied the rights of free citizens, and in some cases driven out of the state or locality. The most audacious of these invasions of the rights of free citizens were the deportation of wage-earners and others from New Mexico and Arizona. . . . In Arizona the deportation of over a thousand people from the state was a part of the tactics to defeat a strike that was in progress. Over 10,000 Mexican copper miners were on strike for the right to organize.⁵⁴

Appointment of a Mediation Commission. Accepting the above statement as fairly descriptive of Mr. Gompers's presentation of the western labor situation, President Wilson was bound to realize the necessity of a speedy solution, especially in view of the important relation of the copper mining industry to the nation's war program. Accordingly, in a memorandum for the Secretary of Labor, September 18, 1917, the President, expressing a deep interest in and concern over the labor troubles in the West and stating his desire to have formulated some kind of working agreement for the future, appointed a labor commission. This commission, known as the President's Mediation Commission, consisted of William B. Wilson, Secretary of Labor, Colonel J. L. Spangler, of Pennsylvania, Verner Z. Reed, of Colorado, John H. Walker, of Illinois, and E. P. Marsh, of Washington. Felix Frankfurter of New York acted as secretary to the commission.⁵⁵ Thus constituted the commission left Washington, September 30, 1917, to carry out its mission of personal mediation, going direct to the field of grievances.

Duties of the Commission. The duties of the Mediation Commission were defined by President Wilson as follows: (1) To visit in each instance the Governor of the State, advising him of their position as personal representatives of the President in an endeavor to lend sympathetic counsel and aid to the state government in the development of a better understanding; (2) to deal with employers and employees in a conciliatory spirit with a view to the settlement of disputes and the formulation of an agreement that would guarantee a maximum of output; (3) to learn the real causes of discontent on the part of either labor

⁵⁴ *Report of the Proceedings of the Thirty-seventh Convention of the American Federation of Labor*, 1917, p. 88.

⁵⁵ *Official Bulletin*, September 21, 1917, p. 1.

or capital, or both; (4) to improve labor conditions in the Pacific Northwest; (5) to report to the President from time to time such information as may require immediate attention.⁵⁶ The method of approaching the problem was to consist of personal conferences with employers, employees, and state officials.

The Problem. The task that confronted the commission was not a simple one. Disputes were prevalent in four copper districts of Arizona in which is mined twenty-eight per cent of all the copper produced in the United States. During the summer of 1917 there were widespread strikes and shutdowns for three months, entailing a loss of 100,000,000 pounds of copper. The oil fields of California, averaging an output of 8,000,000 barrels a month, or about one-third of the total output of oil for the United States, were the scene of unprecedented labor unrest. In the states of California, Oregon, Washington, Idaho, and Nevada the telephone industry was tied up, there being about 13,000 employees involved in the disputes. The lumbering industry, the products of which were sorely needed for the nation's aeroplane program, suffered a breakdown of several months during 1917, and afterwards operated below normal productivity. Disputes in this industry involved 70,000 men.⁵⁷ Controversies in the packing industry centering in Chicago, threatened at an early date to paralyze the entire meat industry of the United States because of the idleness of 100,000 employees that would result from a general strike.

Report and Recommendations. In its investigations the commission discovered that the causes of the widespread labor unrest consisted of: (1) The absence of safeguards against strikes, such as boards of investigation, conciliation, and arbitration. "In place of orderly process of adjustment workers were given the alternative of submission or strike." (2) Distant ownership of industries. Western industries are owned and controlled largely by eastern capitalists who entrust the operation of establishments to salaried managers who fail to understand the point of view of the workmen. (3) The desire of the workers to organize and bargain collectively instead of individually as in the past, and the relentless opposition of employers to collec-

⁵⁶ *Official Bulletin*, Sept. 21, 1917, p. 1, and Feb. 11, 1918, p. 9.

⁵⁷ *Ibid.*, February 11, 1918, pp. 9, 12.

tive action. (4) The demand of the workers for the basic eight-hour day, which was also opposed by the employers. Employers that did introduce the change in the work-day suffered discrimination by employers' associations. (5) A general demand for higher wages commensurate with the rise in the cost of living. (6) Autocratic control of industry which prevents labor from having a voice in the determination of working conditions. Other causes of industrial unrest included abnormal labor turnover due to the prevalence throughout the West of a migratory laboring population, the polyglot character of the working class which made unification and coöperation among them very difficult, the spread of the philosophy of international solidarity and other socialistic doctrines, and unhealthful social conditions in the camps.⁵⁸

In a period of five weeks the commission disposed of two hundred and fifty disturbances in industrial establishments, and continued its work for several subsequent weeks with equally satisfactory results. Among the results of the commission's work were the submission of all disputes to a United States administrator or conciliator if employers and employees failed to reach an agreement; provision of a channel of communication between the men and employers by organization of a committee free from the company's influence, to consider all agreements; recognition of the right of workmen to organize, protected by the prohibition of any form of discrimination against union men; reemployment of strikers except inefficient workers and those guilty of seditious utterances.

Among the recommendations made by the commission the most notable were the guaranty of some form of collective relationship between management and men; the elimination of profiteering; the establishment of continuous administrative machinery for the immediate and scientific adjustment of disputes; the adoption of the basic eight-hour day, except for emergencies in war industries; a unified labor administration in the United States to replace the existing decentralized administration; the surrender by labor of all practices conducive to the withdrawal of maximum efficiency; constructive education of both parties to

⁵⁸ *Official Bulletin*, February 11, 1918, pp. 10-13.

the industrial conflict in order to guarantee a national solution of disputes and other serious labor problems.⁵⁹

The Bisbee Deportations. Consideration of the work of the President's Mediation Commission would be incomplete without some reference to its investigation of the Bisbee deportations. No other incident in recent years, outside of the Mooney case, has proved more irritable to organized and unorganized labor forces than the deportation of workmen from the Warren district, Arizona, to Columbus, New Mexico, on the morning of July 12, 1917. The sheriff and an armed force of deputies numbering about two thousand men rounded up 1,186 workers and deported them, according to the report of the commission submitted to the President on November 6, 1917. The authorities at Columbus refused the deportees permission to stay, and the train carried them back to the desert town of Hermonas, New Mexico, a nearby station. The men were without adequate food, water, and shelter for two days, having been abandoned by the guards and left to shift for themselves. The situation was immediately brought to the attention of the War Department and on July 14, the men were escorted by troops to Columbus, New Mexico, where they were maintained by the government until the middle of September.⁶⁰

According to the report of the Mediation Commission the deportations were carried out under the authority of the sheriff of Cochise county, and had been planned at a meeting of citizens on the night of July 11, 1917, participated in by the managers of the Copper Queen Consolidated Mining Company and the Calumet and Arizona Mining Company. There was evidently no consultation of the United States attorney in Arizona, nor of law officers of the state or county, nor of any legal adviser whatsoever. Rather were attempts made to conceal news of the deportations by control of the Bell company's local telephone offices and the telegraph lines.

The reason advanced for the deportations was that officials and citizens believed the strikers were threatening violence and injury to persons and property. The commission, however, found that this belief had "no justification in the evidence in

⁵⁹ *Official Bulletin*, February 11, 1918, pp. 10, 12.

⁶⁰ *Ibid.*, November 17, 1917, p. 6.

support of it presented by the parties who harbored it," and no such fear had been communicated to the Governor or other authorities, either state or federal, by those who planned the deportations. "The deportation was wholly illegal and without authority in law either state or federal." Governor Campbell of Arizona stated that "the constitutional rights of citizens and others have been ignored by processes not provided by law, viz., by deputy sheriffs who refused persons admittance into the district and the passing of judgment by a tribunal without legal jurisdiction, resulting in further deportations." So called "Vigilance Committees" or "Loyalty Leaguers" were dissolved at the request of the Governor. It was claimed that the strikers were a dangerous group of enemy aliens, but this contention is not supported by the Army census which was taken at the time. According to this census 199 of the men deported were native born Americans, 468 were citizens, 472 were registered under the selective draft law, and 433 were married. Of the foreign born 82 were Serbians, and 179 were Slavs. There were only a few Germans and Austro-Hungarians, other than Slavs.

The commission recommended to the President that steps be taken to stop all illegal practices and denial of rights safeguarded by the Constitution and statutes. On account of the fact that many persons subject to the selective draft law were refused reëntrance to the district there was sufficient ground for action by the Attorney General of the United States. Furthermore, the interference with interstate lines of communication justified action by the Interstate Commerce Commission. These recommendations were adopted by the President and it was emphatically urged that such actions should by Act of Congress be made criminal under Federal law.⁶¹

The data of the preceding pages indicate the multiplicity of boards and commissions and the plethora of principles that were constructed to help solve the increasingly serious labor problems that were arising throughout our industrial life during the first year of our participation in the world war. The fundamental defect of this new labor administration was, as already suggested, its differentiation of organization and decentralization of

⁶¹ *Official Bulletin*, November 17, 1917, pp. 6, 7.

control. Each agent and department of the government was a law unto itself in handling the labor situation; this resulted in much duplication, positive waste of money and effort, and general dissatisfaction among both employers and employees. This decentralization ignored the conspicuous tendency of recent years to centralize labor administration in industrial commissions, — bodies having comprehensive administrative functions and powers for marshaling independent agencies into a well organized and centrally directed whole. The much desired efficiency in labor administration during the war was not possible without greater correlation of effort.

CHAPTER VI

COORDINATION IN LABOR ADMINISTRATION

The facts set forth in the preceding chapters suggest that in spite of our industrial development and efficiency in production, the United States up to the second year of our participation in the war possessed no adequate administrative and judicial machinery for dealing successfully with the serious problems that from time to time arose in the sphere of industrial relations. We had formulated no definite set of principles and evolved no comprehensive labor policy. A year of unprecedented unrest was necessary to demonstrate to the government that a decentralized labor administration could not bring relief. The conviction gradually spread among government officials, representatives of employers and of employees, and the general public, that uniformity of methods, concentration of control, and coördination of administration in handling labor was just as necessary to national productive effort as were similar policies in the field of fuel, food, ships, and munitions production. Summing up the situation Mr. Felix Frankfurter, chairman of the War Labor Policies Board, stated: "Since the outbreak of the war, the United States Government has come to be the greatest single employer of labor in the country. . . . But it has had no operating policy with regard to the plants as a whole. Each one has been operated individually as a separate enterprise, quite apart from others and, so far as the labor supply has been concerned, in active competition with the others."¹ A more elaborate interpretation of the situation was given by the Secretary of Labor in the following words:

Never before in history was it so essential as now for a government at war to have a central labor administration and a consistent labor policy. . . . Last fall it became apparent that in order to prosecute the war efficiently the government should have a central labor administration to take

¹ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, July, 1918, pp. 25, 26.

care of problems not only of conciliation but of many others matters of concern to both laborers and manufacturers of war materials. Questions of apprenticeship, of dilution of labor, of standards of safety and sanitation, of employment of women in industries formerly occupied exclusively by men, and of wages paid to women; problems of housing; of recruiting and placing labor — all needed, and still need, adjustment to the present emergency. . . .

Up to a recent time the labor questions most vitally connected with the business of turning out the materials for war have been handled by a number of agencies. The Ordnance Bureau has taken care of its own interests, the Shipping Board has concerned itself with its own production, and so on. When it came to matters of labor, each section managed its own affairs; each had its own adjustment commission; and as a result there were as many policies for labor problems as there were purchasing agencies. Outside of them all the Department of Labor has tried to survey the whole field and coöperate everywhere. . . . Each bureau was charged with the responsibility of showing results in its own field. It had to fight its own battles, to look out for its own interests everywhere.

There was a strike in a large munitions plant last fall and mediators from four departments of the government at once stepped in, each with different orders and a different policy for settling the dispute. Only the good sense of the mediators themselves enabled them to get together and bring about a satisfactory settlement.

Moreover, these various producing bureaus of the government, acting independently, began to compete against one another for skilled workmen, increasing the costly and inefficient labor turnover as men kept moving from job to job for higher pay.²

1. THE GENESIS OF THE NEW LABOR POLICY

In response to the general demand for more efficient administration of labor conditions President Wilson early in January, 1918, inaugurated a new labor administration. In a memorandum to the Secretary of Labor on January 4, 1918, he outlined a comprehensive program designed to provide machinery for effective mobilization of labor, its standardization in all war industries, equitable adjustment of industrial disputes, and co-ordination of action between the departments of the government in matters pertaining to labor. This program was the result of a series of conferences on the subject of a labor policy, held under the direction of the Council of National Defense and the Department of Labor.³ The express purpose of these confer-

² *Saturday Evening Post*, June 22, 1918.

³ The President's Mediation Commission in its report had also suggested the necessity for centralized administration.

ences was to create uniformity of administration among the several agencies dealing with the discovery, distribution, and housing of the labor force and otherwise adjusting the labor situation. The need was not only for new agencies but also for more intimate relation and coöperation between the existing ones. The government already possessed administrative machinery for meeting many difficulties in the situation, among which agencies were the United States Board of Mediation and Conciliation, the Division of Information in the Bureau of Immigration, through which the Employment Service operated, the Division of Mediation and Conciliation, and the Bureau of Labor Statistics. An extension of the functions of these bodies, however, and the creation of new agencies were necessary antecedents to the training of workers, the priority of labor demands, the dilution of labor, the standardization of conditions of employment, the protection of living conditions (including housing and transportation), and the provision of publicity.⁴

The war labor administration that grew out of the above conferences and which President Wilson requested the Secretary of Labor to organize may be briefly outlined as follows: (1) A means of furnishing an adequate and stable supply of labor to war industries. The execution of this part of the program would involve: (a) an efficient system of labor exchanges; (b) a successful means of training workers; (c) a method of determining priorities of labor demand; (d) facilities for dilution of skilled labor. (2) Machinery for the immediate and equitable adjustment of labor disputes in accordance with the principles agreed upon between employers and employees, in order that there might be no cessation of work. This would necessitate successful methods and means of dealing with demands for increase in wages, shorter hours, and better conditions of employment. (3) Administrative machinery for the protection of labor safeguards in the production of war materials, such as the welfare and safety of women and children, and industrial hygiene. (4) Agencies for improving living conditions, such as housing, transportation, recreation, and education. (5) An investigating body to gather and present data collected through various existing

⁴ *Monthly Review*, U. S. Bureau of Labor Statistics, February, 1918, p. 77.

governmental agencies or by independent research, such data to furnish the basis for effective executive action. (6) An information and education division with the function of promoting sound public sentiment, the interchange of information between the several departments of labor administration, and the development of local agencies in industrial establishments for the purpose of carrying out the national labor policies.⁵

The organization of the above labor administration program was no mean task, and the Council of National Defense suggested that the Secretary of Labor summon to his aid as advisers and administrators a well balanced corps of experts representing capital, labor, and the general public, to assist in the formulation and execution of labor policies, with a view to introducing greater uniformity and coördination. Furthermore, if necessary, congressional action was to be sought in establishing the new plans. The Secretary called to his assistance an advisory council of seven persons representing the three groups of interests named above.⁶ To assure unity of action among the several departments of the government, the War and Navy Departments and the Shipping Board were given representation on the council.

The appointment of the Advisory Council was announced on January 16, 1918, and it immediately began its work of coördinating labor administration. On January 28, 1918, a program of organization had been completed and was approved by Secretary Wilson on the same day. This program provided recognition and extension of the existing organizations within the Department of Labor and for additional services and means of

⁵ *Ibid.*, p. 78.

⁶ This council was comprised of the following persons: Ex-Governor John Lind of Minnesota, as representative of the public and chairman of the council; Mr. Waddil Catchings of New York and Alabama, president of the Sloss-Sheffield Steel and Iron Company, and Mr. A. A. Landon of Buffalo, New York, general manager of the American Radiator Company, as representatives of the employing interests; Mr. John B. Lennon, ex-president of the International Tailors' Federation, and Mr. John J. Casey, former United States representative from Pennsylvania, as representatives of labor. Miss Agnes Nestor, president of the Chicago Women's Trade-Union League, was designated as representative of the interests of women workers. Professor L. C. Marshall of the University of Chicago was chosen as economist to the council. *Monthly Review*, U. S. Bureau of Labor Statistics, February, 1918, p. 77.

correlation of effort between the various departments of the government in matters relating to labor conditions.⁷ In addition to the Division of Conciliation, the United States Employment Service, and the investigating bureaus of the Department of Labor, six supplementary agencies were created as follows: (1) A Conditions of Labor Service to administer working conditions in industrial establishments, including safety, sanitation, etc. (2) An Information and Education Service to promote sound public sentiment and provide appropriate local machinery and policies in industrial plants. (3) A Woman in Industry Service to correlate the activities of various agencies dealing with matters pertaining to women workers. (4) A Training and Dilution Service to provide a supply of skilled workers. (5) A Housing and Transportation Service. (6) A Personnel Service.⁸

The creation of these new agencies did not do away with the several industrial service sections of the Ordnance bureau, the Shipping Board, the Quartermaster department, and other successful departmental bodies discussed in the preceding chapter. The objective was rather to supplement and especially to correlate and centralize the endeavors of these numerous services, and to make the Department of Labor a sort of clearing house for them. Moreover, it was found necessary to modify the original program and to add other agencies as conditions demanded, as, for example, the organization of a Division of Negro Economics, the Civilian Insignia Service, and the Investigation and Inspection Service. The advantages of the new system were set forth as follows: (1) It would guarantee immediate operation of effective administrative machinery by using already existing efficient personnel in the several bureaus; (2) it would conform to accepted theories of business administration for it involved necessary centralization of control with wise decentralization of administration by agencies which come in touch with the problems at issue; (3) the plan would in no way inflict limitations upon the freedom of the Department of Labor in creating necessary supplementary agencies; (4) there would be definite location of responsibility and power for decisions, for these were to

⁷ See diagram, p. 173.

⁸ *Monthly Review*, U. S. Bureau of Labor Statistics, February, 1918, p. 79.

rest with the Secretary of Labor; (5) the plan would be flexible in that it would permit consolidation of agencies under the direction of the Department of Labor.⁹

2. WAR LABOR CONFERENCE BOARD

At the time of his approval of the program submitted by the Advisory Council (January 28, 1918), the Secretary of Labor requested the managing director of the National Industrial Conference Board, a federation of employers, and the president of the American Federation of Labor to constitute a war labor conference board for the purpose of formulating and concluding agreements upon definite principles and policies for the government of the relations between capital and labor.¹⁰ This board was subsequently appointed.¹¹

The Purpose and Recommendations of the Board. The appointment of the Labor Conference Board was an attempt to bring employers and employees to a fuller appreciation of their mutual interests and to impress upon the minds of each group that prejudice and bitterness must give way to harmony of action and coöperative endeavor in the common task of maximum production, without which the war would inevitably be lost.¹² Among the important questions demanding attention were a basis for wage determination, strikes and lockouts, piece work

⁹ *Ibid.*, pp. 79, 80.

¹⁰ *Ibid.*, April, 1918, p. 104.

¹¹ The personnel of the National War Labor Conference Board was as follows: Ex-President William H. Taft, and Frank P. Walsh, ex-chairman of the United States Commission on Industrial Relations, representing the public. L. F. Loree, New York City, president of the Delaware and Hudson Railroad Company; C. Edwin Michael, Roanoke, Virginia, president of the Virginia Bridge and Iron Company; Loyall A. Osborne, New York City, vice-president of the Westinghouse Electric and Manufacturing Company; W. H. Van Dervoot, East Moline, Illinois, president of Root and Van Dervoot Engineering Company; B. L. Worden, New York, vice-president of the Submarine Boat Corporation, representing the employing interests; Frank J. Hayes, Indianapolis, Indiana, president of the United Mine Workers of America; William L. Hutchison, Indianapolis, president of the United Brotherhood of Carpenters and Joiners of America; William H. Johnston, Washington, D. C., president of the International Association of Machinists; Victor A. Olander, Chicago, representative International Seamen's Union of America; T. A. Rickert, Chicago, president of the United Garment Workers of America, representing employees.

¹² *Monthly Review*, U. S. Bureau of Labor Statistics, April, 1918, p. 103.

prices and price fixing, elimination of improper restrictions on output, the need for dilution of labor, discrimination against union and non-union workmen, admission of union agents to industrial plants, adjustment of industrial disputes, the right of workers to organize and bargain collectively. Upon the calling of the first session of the board by the Secretary of Labor, Ex-Governor Lind, chairman of the Advisory Council, said regarding its possibilities: "Tomorrow's conference may easily prove one of the most significant developments in the history of America's participation in the war. In a sense it is unprecedented in American industrial history."¹³ Certainly no recent event should do more to hasten industrial peace and to demonstrate the possibility of such a peace than this convocation of representatives of labor and capital for the purposes of consideration of their mutual interests and common difficulties.

On March 29, 1918, the War Labor Conference Board submitted a unanimous report of its decisions to the Secretary of Labor. The recommendations of the board provided for the creation of a National War Labor Board consisting of an equal number of members and selected in the same manner and by the same interests as had chosen the conference board itself. The new board, whose functions are outlined below, was in general to consider all controversies arising between employers and employees with a view to guaranteeing uninterrupted operation of industry and maximum production of war materials. Two things were necessary: (1) Some sort of truce must be declared between labor and capital during the continuance of the war, and (2) some category of employment standards must be set forth and agreed upon by both sides, so that productive industry could continue without cessation.

3. THE NATIONAL WAR LABOR BOARD

The National War Labor Board which had its inception in the recommendations of the War Labor Conference Board was appointed by the Secretary of Labor and was comprised of representatives of employers, employees, and the public.¹⁴ The ap-

¹³ *Ibid.*, p. 104.

¹⁴ The personnel of the board was the same as that of the War Labor Conference Board. Mr. W. Jett Lauck acted as secretary to the board. See p. 162.

pointment of the board was approved and affirmed by President Wilson in his proclamation of April 8, 1918, in which he summarized its powers, functions and duties.¹⁵

Duties and Powers of the Board. The duties and powers of the National War Labor Board were outlined in the report of the War Labor Conference Board, March 29, 1918, and the Proclamation of the President of April 8, 1918. These duties and powers may be summarized as follows: (1) Settlement by mediation and conciliation of every controversy arising between capital and labor in the field of production essential to the conduct of the war. (2) Exercise of the same jurisdiction in all other fields of national activity, where stoppage or threatened cessation of production would be detrimental. (3) Provision, by direct appointment or otherwise, for committees or boards to sit throughout the country where disputes arise, so that settlement may be effected where and whenever possible by local mediation and conciliation. In case of the failure of these local boards to effect a settlement the parties were to be summoned by the national board. (4) In case the efforts of the national board should fail to settle the dispute, as a last resort an umpire could be appointed. For the appointment of an umpire unanimous agreement among the members of the board was necessary, but if such an agreement could not be reached he was to be drawn from a list of ten suitable and disinterested persons nominated by the President of the United States. On July 12, 1918, the President announced the names of ten persons who were to act as umpires.¹⁶ (5) The board was vested with the power to alter its methods and practice in settling disputes, as experience suggested. (6) Regular meetings of the board were to be held at Washington but it could convene at any other convenient or necessary place. (7) No cognizance was to be taken by the board of disputes between employers and employees in any field of industrial activity where by federal law or by agreement there already existed means of settlement which had not been invoked.¹⁷

¹⁵ *Proclamation of the President of the United States, April 8, 1918, creating the National War Labor Board.*

¹⁶ *Official Bulletin*, July 15, 1918, p. 1.

¹⁷ *Monthly Review*, U. S. Bureau of Labor Statistics, May, 1918, pp. 55, 56.

The board was authorized to appoint a secretary and to create necessary clerical organization. Subsequent to its creation, the board provided for the appointment of alternates, each member being privileged to name one permanent alternate who had the power to act and vote in behalf of the principal, during the latter's absence.¹⁸ Upon application to the Secretary of Labor the board was given the privilege of using the machinery of mediation and conciliation of the Department of Labor, thus introducing one of the many changes that led to coordination of administration. Furthermore, the action of the War Labor Board could be invoked, in respect to controversies within its jurisdiction, by the Secretary of Labor or by either party to the dispute or an authorized representative of either party. Consideration of such controversies, however, could be declined by the board if their character and importance did not in its opinion warrant such action. Employers and employees were given equal representation on all the committees of the board's own members appointed to act in general or local matters, and in local committees. The representatives of the public presided alternately at successive sessions of the board as agreed upon between themselves.¹⁹

Principles and Policies to Govern Industrial Relations. For the purpose of guiding the National War Labor Board in its considerations of industrial disputes a set of fundamental principles and policies was formulated by the War Labor Conference Board. These principles included the following provisions: (1) The abandonment of strikes and lockouts for the duration of the war. (2) Full recognition of the right of both employers and workers to organize in their trade unions and associations respectively and to bargain collectively through their chosen representatives. This right was in no way to be denied, abridged, or interfered with by either side, and all discrimination for legitimate activities with such organizations was forbidden. In addition, workers in their collective action were to refrain from the use of coercive measures either in inducing persons to affiliate with the union or in forcing employers to bargain. (3) In union shops the union standards of wages, hours,

¹⁸ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 99.

¹⁹ *Monthly Review*, U. S. Bureau of Labor Statistics, May, 1918, p. 56.

and conditions of labor were to be maintained, while in establishments employing union and non-union workers the *status quo* was to be maintained, allowing the utmost freedom in joining or refraining from membership in the union. This provision, however, did not prevent the board from improving conditions as to wages, hours, and conditions of labor when deemed necessary, nor was there to be any relaxation of labor safeguards. (4) When employed on tasks ordinarily performed by men, women were to be given equal pay and were not to do work disproportionate to their strength. (5) The basic eight-hour day was to apply in all cases where existing law required it, while in all other cases hours were to be determined with due regard to the needs of the government and the welfare of the workers. (6) Under all circumstances the maintenance of maximum production was to be assured. (7) In fixing wages, hours, and conditions of employment due regard was to be paid to standards prevailing in the localities affected. (8) Recognition of the right of all workers, including common laborers, to a living wage, such a minimum to insure health and reasonable comfort to the worker and his family. (9) Information concerning the available supply of labor and its effective distribution was to be secured from the Department of Labor.²⁰

The above operating principles and policies contributed much to the splendid success that attended the efforts of the National War Labor Board. Not only were they comprehensive in character, touching upon almost every problem that might arise in industrial relations, but they were also reasonable in that due cognizance was taken of the rights, welfare, and interests of the three parties involved in any industrial controversy — employers, employees, and the general public. Furthermore, they incorporated the basic standards of employment set forth by social reformers in the field of labor problems.

Method of Presenting Complaints. Any person who desired to present an issue between employers and workers was required to do so by written statement of the specific grievance and to designate his own post office address and the address of the persons or corporations involved in the dispute. A similar state-

²⁰ *Monthly Review*, U. S. Bureau of Labor Statistics, May, 1918, pp. 56, 57.

ment was necessary when employers and employees themselves presented a complaint. Controversies in which the Secretary of Labor invoked the action of the board, together with documents transmitted by him, were filed by the secretary of the board. In case any other board than the National War Labor Board possessed jurisdiction in any case filed with the secretary, the plaintiff was so informed by him and he reported the disposition of the case at the following meeting of the National War Labor Board. It was the duty of the secretary to digest all cases presented and bring them to the prompt attention of the board for action.²¹ The cases that came before the board have been carefully digested and published.

Procedure for Hearing and Adjusting Disputes. In all controversies between employers and employees two members of the National War Labor Board, one from the employers' side and one from the side of the employees, were appointed to act for the board, the members in each case being named by the joint chairmen at the instance of the respective groups of the board. These two members constituted what was known as a section of the board to hear and adjust cases assigned to them. If these sections failed to effect a settlement it was their duty to summarize and analyze all the facts in the case and present the same to the board with necessary recommendations. Local committees in any city or district could be appointed by the board to act in cases arising locally. In the selection of these local committees, associations of employers, organizations of employees, and other local interest groups were entitled to make recommendations to the board. In localities where no permanent local committee had been appointed sections of the national board were authorized to make temporary appointments.²²

If after due deliberation and effort through the various agencies named above the National War Labor Board found it impossible to settle a controversy, the board itself then convened as a board of arbitration to decide the dispute and make an award, if a unanimous decision could be reached. In case such unanimity could not be secured the board selected an umpire

²¹ See *Report of the War Labor Conference Board*, March 29, 1918, summarized in the *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 100-104.

²² See *Report of the War Labor Conference Board*, March 29, 1918.

who sat with the board, reviewed the issues and rendered his award. The umpire was a last resort always, and was appointed only after a unanimous vote of the board deemed such an appointment necessary. If the board failed to reach a unanimous agreement regarding the choice of an umpire he was drawn by lot from a list of ten "suitable and disinterested persons," nominated by the President of the United States.²³

In compliance with the principles of settlement of industrial disputes set forth in the President's proclamation of April 8, 1918, the National War Labor Board heard appeals in the following cases: (1) Where there had been violations of the principles of the President's proclamation relative to uninterrupted production; (2) where employers failed to put into effect or employees refused to accept or abide by an award of any board of settlement; (3) where it became necessary to determine questions of jurisdiction as between government boards. The National War Labor Board was not empowered to hear appeals from the decision of "regularly constituted boards of appeal, nor from any other board to revise findings of fact."²⁴

What the War Labor Board Accomplished. The operation and results of the board's efforts deserve consideration. During the seven months of its work under war conditions the War Labor Board had unprecedented authority and success in enforcing its awards. This success was the more remarkable because the board itself was non-statutory in character and its decisions not enforceable by law. The fundamental principles upon which this new agency of industrial peace was founded were essentially democratic and contained none of the repressive force of law. "What was desired was not an order imposed from above or without but a solemn contract by both parties voluntarily entered into," hence "the necessity for employers and employees to agree upon their own law and their own judges."²⁵ Up to October 31, 1918, in only four cases was the board unable to reach a unanimous agreement upon awards and decisions,

²³ *Monthly Review*, U. S. Bureau of Labor Statistics, May, 1918, pp. 55, 56. See also the *Report of the War Labor Conference Board*, March 29, 1918, appended to the published dockets of the National War Labor Board.

²⁴ *Monthly Review*, U. S. Bureau of Labor Statistics, June, 1918, p. 56.

²⁵ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 99, 100.

and on three occasions only during the war period were its awards not willingly accepted and applied.²⁶

The first resistance to a decision of the board occurred in a dispute between the Western Union Telegraph Company and a group of its employees who had joined the Commercial Telegraphers' Union. The employees accused the company of denying them the right to organize, and of discharging members of the union which, of course, constituted a violation of one of the basic principles upon which the War Labor Board was established. The company was instructed against such discrimination but refused to abide by the award and recommendation made by the board and, as a consequence, the facts were laid before President Wilson by the Secretary of Labor, and on June 11, 1918, the President communicated with both the Western Union Telegraph Company and the Postal Telegraph Commercial Cable Company which had been accused of similar violations. In his communication the President urged acceptance of the recommendations of the War Labor Board and the latter company immediately acknowledged the necessity of subordinating private to public interests and accepted the award. The Western Union Company, however, refused to comply and denied the right of the board to enforce the decision, whereupon President Wilson appealed to Congress for authority to take over the telegraph and telephone lines. Authority was granted and these utilities were placed under the control of the Postmaster General who immediately stopped all discriminatory practices against union employees.²⁷

A second case of refusal to accept the award of the War Labor Board occurred at Bridgeport, Connecticut, where early in September, 1918, a group of organized employees expressed dissatisfaction with an award and ceased work. Ninety per cent of the workers at Bridgeport had accepted the award and to the ten per cent who stopped work President Wilson wrote a letter in which he urged acceptance of the decision and return to work. He threatened government interference which would result in withdrawal of draft exemptions based on industrial grounds. The striking workers acceded to the request of the President,

²⁶ *Ibid.*, pp. 104, 105.

²⁷ *Ibid.*, pp. 105, 106.

accepted the award, and resumed work. The Smith and Wesson Company, of Springfield, Massachusetts, refused to accept the instructions of the War Labor Board against continuation of discrimination between organized and unorganized workers. Again the President announced that the decision of the board must be upheld, regardless of the attacks that might be made upon it. The company refused to abide by the award on the grounds that it was contrary to the traditional policy of the plant. On September 13, 1918, therefore, the President directed the Secretary of War to commandeer the Smith and Wesson establishment and to operate it thereafter for the government.²⁸

The work of the National War Labor Board is one of the remarkable accomplishments of our industrial readjustment for war, and it has done much to produce historic and desirable changes in industrial relations. It demonstrated the practicability of an amicable settlement of industrial grievances by a democratically constituted body representing capital, labor, and the public. Furthermore, it secured the adoption and enforcement of principles in the government of industry which a century of agitation had failed to procure. The limits of this study do not permit a complete analysis of the awards and findings of the board, but a brief consideration of these is necessary in order to appreciate the value of this great agency of industrial peace. Recognition of the right to organize and to bargain collectively, together with rigid enforcement of these rights in prohibiting discrimination against union employees, was probably the most important change in industrial relations that has ever been effected by a governmental agency in the United States. Workers were given free choice in selecting shop committees from among their number, free from any ulterior influences, to represent them in negotiations with employers, and the employers were instructed to meet with these committees for the purpose of adjusting grievances involving wages, hours, and other conditions of work.

Reinstatement with back pay for lost time was the penalty for discharging a man because of union activities. On the other hand employees in exercising the right to organize were strictly

²⁸ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 106. See also letter of the President to the striking employees of Bridgeport, Conn.

forbidden to use coercive measures of any kind for the purpose of compelling individuals to join the union, and no compulsion on the part of the unions was permitted to force employers to bargain with them. The *status quo ante* was maintained in regard to recognition of trade unions, the board sustaining the right of employers to refuse to deal with the union during the war where such negotiation had not been tolerated before the war, and upholding the right of unions to continued recognition by employers who had previously given such recognition.

Accepting the principle that the worker is entitled to a wage sufficient to maintain his family and himself in reasonable comfort, the War Labor Board, after studies in the cost of living, set a minimum wage for male workers which generally approximated 42 cents an hour, and for women workers approximately 32 cents an hour. These minima differed with the cost of living in different localities, but an attempt was made, as in the case of the shipbuilding districts, to approach uniformity in order to prevent migration of labor. When increases in wages so increased the cost of production as to threaten discouragement of business enterprise, the board suggested to the proper rate making agency that an advance in rates be permitted, as in the case of street railways. The rapidly changing level of prices caused the board to allow a review of awards and findings at intervals of six months upon request of either party to the compact.

The eight-hour day was recognized in principle and was generally incorporated in the awards of the board, altho the nine-hour day was sometimes allowed. The rights of women in industry were rigidly safeguarded with respect to wages, health, and general welfare. In all cases equal pay for equal work was an accepted principle of the board's decisions.

Effective enforcement of awards was made possible by the provision for trained examiners who conducted public hearings, where both sides were given an opportunity to submit data having to do with the questions involved. It was the duty of these examiners to summarize and analyze the data so presented and to report to the board. Examiners were also assigned to supervise the application of awards and to interpret in behalf of the board those points which were not clear and to which both par-

ties failed to agree. These examiners rendered valuable service in organizing the shop committees that were so largely responsible for the establishment of industrial peace. The importance of the work of the National War Labor Board cannot yet be fully appraised, for the effort it put forth will continue to bear fruit for some time to come. It is clear, however, that in defending the principle of just and proper conditions, the right of organization and of collective bargaining, a minimum comfort wage, and communication between management and workers through shop committees allowing rational consideration of grievances, the board has made a significant contribution, not only toward the winning of a war for democracy, but also toward the solution of perplexing industrial problems and the realization of what promises to be the next great step in social progress — the democratization of industry.²⁹

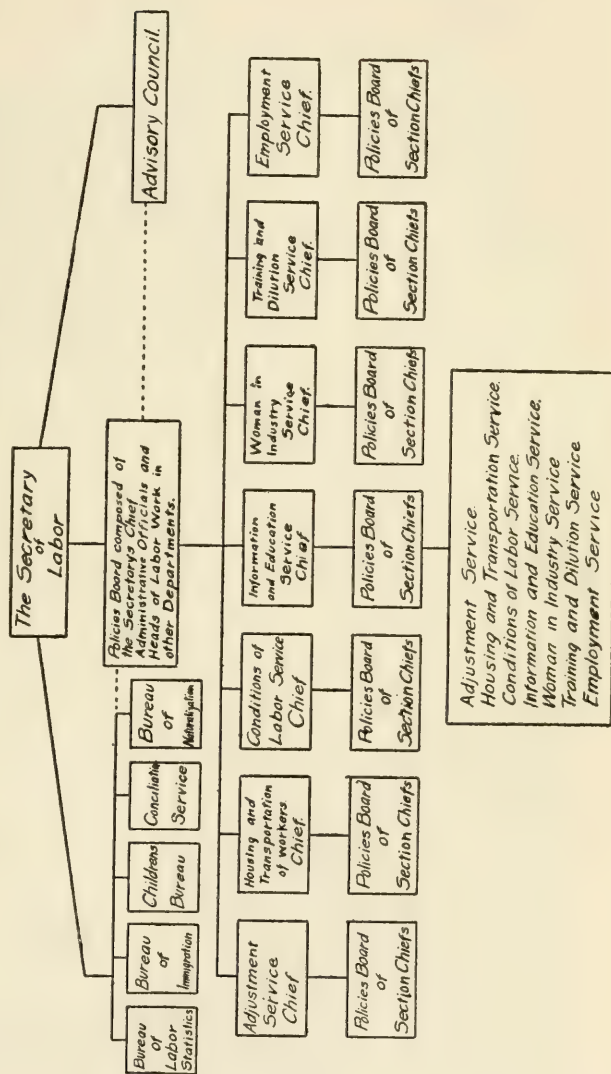
There is no better index of the value of the work performed by the War Labor Board than the cases it adjusted. Its efforts were comprehensive and constructive, altho not always acceptable to both parties concerned. To October 1, 1918, the offices of the board considered 531 controversies, of which 266 were still pending. Awards had been made in 44 cases; 136 cases had been referred to other governmental agencies; 2 were withdrawn; 30 were settled; 9 were settled without intervention of the board; jurisdiction was denied in 8 cases; and 32 were dropped or suspended.³⁰ By November 11, 1918, when the armistice was signed, 83 awards had been made, and by the middle of February, 1919, the number of findings announced totaled 198, involving 34 industries scattered over 35 states. The number of cases that had entered on the docket up to April 15, 1919, aggregated 1,244, only 33 of which had not been disposed of in some way. Of this number of cases, awards were issued in 394; agreements or dismissal were reached in 428 cases; and 389 were referred to subsidiary agents having original jurisdiction.³¹

²⁹ Fifty shop committees had been organized by February, 1919. See *Shop Committees in Action*, by William L. Stoddard, *The Survey*, Vol. XLII, No. 1 (April 5, 1919), pp. 28-30. This number has been greatly increased since that date.

³⁰ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 105.

³¹ *The Survey*, Vol. XLII, No. 5 (May 3, 1919), p. 192. The National War Labor Board passed out of existence at the end of the fiscal year 1919.

Coordination of War Labor Administration, Providing for Centralization of Control in the Department of Labor with Decentralization of those Agencies which are in close contact with the problems arising.



4. COÖRDINATION OF THE WORK OF THE DEPARTMENT OF LABOR

The creation of the War Labor Conference Board and the resultant organization of the National War Labor Board were only the initial steps in an extensive program of reorganization for war labor administration. The aim of this vast program was the centralization of control coupled with a judicious decentralization of administration. Control was centralized under the direction of the Secretary of Labor, assisted by the War Labor Policies Board comprised of representatives of the various production departments of the government and heads of bureaus and services of the Department of Labor.³² At the beginning of the fiscal year, 1918, the Department of Labor consisted of four bureaus, together with such agencies as had been created in the office of the Secretary of Labor for conciliation and mediation in labor disputes. At the close of that year there were thirteen separate bureaus and services, and two boards, the one a court of last resort — the War Labor Board — and the other an agency to correlate the work of the Department of Labor with other production departments of the government — the War Labor Policies Board.³³ Correlation of the activities of existing agencies was the first logical step in readjustment for the administration of the increasingly difficult labor situation; the creation of necessary additional agencies as conditions necessitated was the second step. The unfortunate situation was that efficient administrative machinery had not been created before the country entered upon the prosecution of a great war. It was not until July 15, 1918, about four months before the armistice was signed, that the Secretary of Labor announced the completion of the War Labor Administration Cabinet which was a very comprehensive body of officials in touch with the numerous boards, services, and bureaus interested in the solution of our labor problems.³⁴ "Since industry is but the application of man power

³² *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 63.

³³ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 9.

³⁴ This cabinet was composed of the following representatives: Secretary of Labor Wilson, Labor Administrator; Felix Frankfurter, assistant to the Secretary and chairman of the War Labor Policies Board; Assistant Secretary of Labor, Louis F. Post; Solicitor John W. Abercrombie; Royal Meeker, Commissioner, Bureau of Labor Statistics; Anthony Caminetti,

to raw material, the efficiency of industry was wholly dependent upon the efficiency of labor. The greatest essential, therefore, for our Government was the adoption of a central labor administration and a consistent labor policy."³⁵

5. WAR LABOR POLICIES BOARD

On May 13, 1918, the Department of Labor announced the creation of the War Labor Policies Board, with Professor Felix Frankfurter as chairman, who was also made assistant to the Secretary of Labor.³⁶ In determining wages and working conditions, in the supervision of housing and other functions, the numerous boards and agencies that existed in the production departments of the government were often in conflict regarding authority. It was highly desirable, therefore, to unify the activities of these agencies, and to bring them into coöperation. The

Commissioner General, Bureau of Immigration; Julia C. Lathrop, Chief, Children's Bureau; John B. Densmore, Director General, U. S. Employment Service; Roger W. Babson, Director, Information and Education Service; Grant Hamilton, Director, Working Conditions Service; Herman Schneider, Director, Training and Dilution Service; Ethelbert Stewart, Director, Investigation and Inspection Service; Mary Van Kleeck, Director, Woman in Industry Service; Otto M. Eidlitz, Director, Bureau of Industrial Housing and Transportation; Charles T. Clayton, Director Civilian Insignia; Samuel J. Gompers, chief clerk of the Cabinet. *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, pp. 63, 64.

³⁵ Secretary of Labor Wilson, *Sixth Annual Report*, 1918, p. 9.

³⁶ The personnel of the War Labor Policies Board was as follows: Department of Labor, Felix Frankfurter, chairman; Max Lowenthal, assistant to the chairman; Miss Mary Van Kleeck, Director of Woman in Industry Service; War Department, Dr. E. M. Hopkins, assistant to the Secretary of War; Navy Department, F. D. Roosevelt, Assistant Secretary of the Navy; Department of Agriculture, G. I. Christie, assistant to the Secretary of Agriculture, in charge of Farm Labor Activities; War Industries Board, Hugh Frayne, general organizer, American Federation of Labor; Fuel Administration, John P. White, ex-president United Mine Workers of America; Shipping Board, Robert P. Bass, ex-governor of New Hampshire; Emergency Fleet Corporation, Charles Piez, general manager; Food Administration, M. B. Hammond, Ohio State University; Railroad Administration, W. I. Tyler, assistant director Division of Operations; Committee on Public Information, W. L. Chenery, Chicago; Executive Secretary, George L. Bell, San Francisco; Industrial Adviser, H. F. Perkins, Chicago; Labor Adviser, John R. Alpine, vice-president, American Federation of Labor; Economic Adviser, L. C. Marshall, Dean, University of Chicago. *Monthly Labor Review*, U. S. Bureau of Labor Statistics, July, 1918, p. 25.

War Labor Policies Board was designed to accomplish this. As finally constituted the board represented the Department of Labor, the National War Labor Board, the Department of Agriculture, the Shipping Board, the Railroad Administration, the War Industries Board, the Fuel Administration, the Food Administration, the War Department, the Navy Department, the Emergency Fleet Corporation, the Committee on Public Information, and the American Federation of Labor. The wisdom of this intimate relation between the administrative agencies entrusted with the prosecution of the war can hardly be overestimated. It was evident that the first year of the war had uncovered many diverse policies emanating from a single government, and the inevitable result was that "the Nation, operating through different agencies, was saying and doing irreconcilable things. Each of the war policies announced by each of the branches of the administration could not be right because many of them were mutually contradictory."³⁷

Duties of the War Labor Policies Board. The primary duty of the War Labor Policies Board was the consideration for war industries of all questions pertaining to wages, hours, the supply and proper distribution of labor, and the standardization of working conditions. More specifically the duties of the board included: (1) Coördination of every government agency whose activities in any way involved the employment or direction of labor; (2) centralization of the various production departments of the government in so far as these related themselves to the problems of labor, in which capacity the Policies Board exercised merely an administrative function, for its decisions were carried out by the agencies and departments represented in its membership; (3) fixation of wage standards for all industries in a given section of the country after thoro investigation of the conditions of living, including the cost of living and services, such information to be secured from organizations of workers, associations of employers, and government bureaus; (4) careful direction of the sources of labor supply, allocation of the supply according to the productive needs of the country and the priority of labor claims; (5) determination of the needs of industry with

³⁷ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 114.

regard to housing and transportation facilities; (6) regulation of hours of labor in various industries.³⁸

When the Policies Board reached final decisions in cases arising in industrial relations in war industries, the execution of these decisions was left directly in charge of each department represented on the board, in so far as the particular decision affected that department. As an aid to the board in formulating a set of operating principles and policies several temporary committees were selected with membership from branches of the government represented on the Policies Board. Committees were organized also to inquire into government contract clauses affecting industrial relations, to control labor recruiting, to secure exemption of skilled workers from military service, to centralize industrial statistics, to standardize wages and conditions of labor, and to provide war industry badges.³⁹

Contrary to a general impression regarding the War Labor Board and the War Labor Policies Board, the functions of the two bodies were not identical, altho they were both integral parts of the Department of Labor. The duties of the National War Labor Board were fundamentally judicial in character. It was primarily a court of last resort and assumed no jurisdiction in any controversy between employers and employees in any field of industrial or other activity where there was by agreement or federal law a means of settlement which had not been invoked.⁴⁰ In all cases where the enunciated principles of the board were involved it exercised jurisdiction. The board, however, sometimes assumed legislative functions when the enunciation of a new principle to govern industrial relations was contemplated. Its findings were final and binding in all disputes between employers and employees where its principles of adjustment were in any way involved.⁴¹

The War Labor Policies Board, on the other hand, devoted itself to administrative work. It was created to determine and develop policies for a unified labor administration, and to coordinate into one consistent policy the differentiated and fre-

³⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, July, 1918, pp. 24, 26.

³⁹ *Ibid.*, pp. 24, 25.

⁴⁰ *Official Bulletin*, June 12, 1918, p. 4.

⁴¹ *Ibid.*, June 8, 1918, p. 13.

quently inconsistent methods of important governmental departments dealing with the problems of labor that affected production, always excluding from its field of administration agreements between employers and their workers.

Altho the basic functions of these two important boards were different, the fundamental principles that governed their procedure and decisions were similar, for on July 12, 1918, the Policies Board adopted the principles laid down by the War Labor Board.⁴² In March, 1919, the Policies Board was discontinued.

6. THE UNITED STATES EMPLOYMENT SERVICE

The war activities of the United States soon gave rise to an extraordinary demand for laborers in those industries that were manufacturing large quantities of ships, munitions, ordnance, and other materials necessary to equip our military and naval forces. Excessive labor turnover soon appeared. The movement of workers from the less profitable forms of production to the "war industries" which were paying much higher wages resulted in a marked scarcity of labor in some communities. The direction of the labor supply, therefore, became an urgent need.

The recruitment and distribution of labor was administered through the United States Employment Service, which, as has been shown, was established by the Department of Labor in 1914. It will be recalled that authority for this service was derived from the statutory powers of the Division of Information in the Bureau of Immigration,⁴³ supplemented by the broader powers of the Department of Labor itself in regard to the interests of the wage earners and the advancement of their opportunities for profitable employment.⁴⁴ The service began in a small way with the creation of the Division of Information in 1907, and the establishment in that year of a public employment system in connection with the immigration station at New York. Later (1914) the Department of Labor entered into coöperative

⁴² See pp. 215 ff. Also *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, pp. 65, 66.

⁴³ "An Act to regulate the immigration of aliens into the United States," approved February 20, 1909, sec. 40. Also "An Act to regulate the immigration of aliens to, and residence of aliens in, the United States," approved February 5, 1917, sec. 30.

⁴⁴ An Act to create a Department of Labor, March 4, 1913, sec. 1.

relations with the Post Office Department by which the facilities of both these departments were used jointly to relieve the labor shortage during the harvest season in the wheat growing states. In 1916 the service was still further extended by the creation of a Women's and Girls' Division and of a division for young men and boys. The end of the Mexican border trouble in 1917 strained the facilities of the service, because returned national guardsmen were seeking employment. Through the various branch offices scattered over the United States profitable employment was found for no less than 15,577 of the national guardsmen.⁴⁵

These early experiences furnished an advantageous basis for the reorganization and expansion of the service necessitated by conditions incident to the greatest war in history. The service coöperated with the United States Shipping Board in the location of large numbers of ship carpenters, calkers, and skilled workers available for immediate employment. For this purpose a survey was made. The Department of Labor established such additional war-emergency employment offices as were deemed necessary for the recruitment of these workmen, detailed traveling field agents to locate qualified workers for the yards, and explained to the shipyard owners the way in which to derive the most help from the use of the central service organized by the Department of Labor.⁴⁶

The construction of cantonments entailed the employment of a vast army of laborers. To aid in the recruitment of the necessary labor the Department of Labor secured from the War Department a list showing the location of the army cantonments and training camps to be constructed, and the names and addresses of contractors awarded the work of building them. Contractors were instructed by the War Department to inform the United States Employment Service of the number and the class of workmen required. Not only did the Employment Service recruit for this task thousands of workers — carpenters and other skilled mechanics, as well as skilled and unskilled laborers — but when the construction work was completed representatives of the service were detailed to register the names, addresses,

⁴⁵ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 199, 200.

⁴⁶ *Ibid.*, p. 200.

and occupations of the workmen immediately so that when they were finally laid off they could be directed to the industrial plants that were in need of labor.

A serious labor shortage threatened to result in a disastrous loss of crops in the vicinity of Norfolk, Virginia, during the early part of July, 1917. Upon investigation the Department of Labor discovered that the major difficulty was inadequate transportation facilities. The trouble was called to the attention of the Food Administrator, who immediately communicated with the vessel owners. At a later conference, held in Norfolk, the Food Administration and the Department of Labor were represented jointly. The result was that two additional sailings weekly from Norfolk were obtained for the benefit of the producers in that vicinity, and loss of foodstuffs was prevented. Moreover, an additional representative was placed in the Norfolk employment office to aid in securing workers for local industries.

Centralization of the employment agencies of the country was a necessary expedient during the war. To effect such centralization the Department of Labor was willing to go to the utmost effort. Employers engaged in essential industries were bidding against one another for labor, thereby stimulating disastrous labor turnover and industrial unrest. "In consequence, wage earners engaged in very necessary war service were solicited to accept other service no more essential than that upon which they were engaged." Under such conditions it was imperative that the government, through the Department of Labor, try to centralize the work of recruiting labor under direction of public agencies. This development, however, was retarded by the fact that public agencies themselves were not united. Coördination of federal agencies with those operated by the several states and municipalities was the first requisite to success in solving this problem. Measures were taken to accomplish such coördination. "As a result, practically all the public agencies other than the Federal were united with the United States Employment Service prior to January 1, 1918. Under this arrangement many employees of the non-Federal units were designated as departmental employees at nominal consideration; in other cases the State and

municipal offices were simply absorbed and lost their separate identity.”⁴⁷

On June 14, 1917, the Secretary of Labor created the United States Public Service Reserve. The purpose of this organization was to be the registration of patriotic citizens who desired to offer their services to the government, either with or without compensation, and to work either directly on government enterprises or in enterprises engaged in service for the government. The reserve was empowered to make for the war industries lists of available volunteers, showing their experience and ability, and indicating the location of the persons registering. The special functions of the reserve and its activities are discussed later.

Mobilization of women for war work constituted one of the most serious labor problems incident to the great crisis, because of the danger of exploitation of unorganized workers under the guise of patriotism, and the menace of over-fatigue that speeding up of industrial machinery and personnel produced. The Secretary of Labor summarized the problem in the following words:

Even before the declaration of war it became evident that conditions demanded the use of some central agency for the mobilization of woman workers. Demands for workers from concerns holding contracts with European belligerents were extremely heavy, with the added certainty that if the United States became involved those demands would be multiplied.

In the mills and factories upon which the Government had to rely for munitions and materials of war, and upon which the civilian population must depend for its daily needs, there are nearly a million and a half woman wage earners. But notwithstanding the importance of these woman wage earners in winning the war, there was grave danger to industry, to labor, and to society unless at the very outset a discriminating control over the mobilization of woman labor in war industries was exercised. The demoralization of the labor market, due to the transformation of so large a proportion of the country's industries into manufactories of war materials and to the vast requirements of shipyards and cantonments, was accentuated by the withdrawal from industry of more than half a million men affected by the draft. The dangers to labor and life, as well as to military success lay in the overstraining of the regular workers and in an unintelligent draft of industrial recruits.

It was urgent at the beginning of the war to develop a system of assorting and collecting data involving both man and woman labor on war contracts in order to present a clear chart of the location and character of war industries and the present and prospective need for woman labor in them.

⁴⁷ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 201.

This was the initial step in supplying the woman labor necessary to fill war orders under reasonable working conditions.⁴⁸

At the time we entered the war the Department of Labor did not possess sufficient funds for handling the problem of women in war industries. The National League of Woman's Service, however, offered assistance in the form of adequately financed plans, and the Department of Labor accepted these on the condition that all the activities of the league affecting wage-earning women should be subject to the control of the Secretary of Labor, and that the department should have an official representative on the governing board of the bureau which the league established in Washington. The department secured from the Secretary of War and the Secretary of the Navy a list of contracts which was used by the United States Employment Service and the bureau of registration and information of the National League for Woman's Service as a basis for the mobilization of woman labor for war industries. These arrangements made possible the immediate formulation of methods and policies relative to the supplying of women for these industries. Over two thousand contracts a month from the United States government had to be assorted and collated, the holders of such contracts had to be communicated with in order to ascertain their needs for women workers, and the supply of workers had to be recruited. Under the agreement made with the National League for Woman's Service, the Department of Labor on October 1, 1917, took over the phases of the work which had been conducted by the league for the previous six months.

The successful harvesting of crops was a first essential of success in the struggle with the Central Powers. Recruiting harvest hands became one of the most important duties of the Department of Labor, beginning with the season of 1914. There was annual need for harvest hands in the wheat belt, extending from Texas through Oklahoma, Kansas, Nebraska, North and South Dakota, eastern Montana, to the Canadian border. In 1917 the Department of Labor and the Department of Agriculture cooperated under a memorandum of understanding concluded between the two departments on April 24, 1917. "With local authorities, railway officials, and other public and private in-

⁴⁸ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 202.

terests these departments worked in the fields of Texas, Oklahoma, Kansas, Nebraska, Minnesota, Missouri, Iowa, Montana, and the Dakotas. Splendid results followed, not a bushel of grain being lost for lack of harvesters. Nor did the coöperation end with the American harvests. By agreement with the Canadian government the two departments extended their service across the Canadian line in aid of harvesting the wheat crops of Manitoba and Saskatchewan, in return for which Canada helped the United States to obtain extra workers for the potato crops and lumbering operations in Aroostook County, Me."⁴⁹ Constant communication was maintained between the United States Employment Service and farm organizations, railway officials, and service agents in the field in order to ascertain the needs of particular communities. Eastern and middle-western states also received immeasurable benefit from the activities of the Employment Service in regard to the recruitment and distribution of agricultural labor.

Reorganization of the Employment Service. Long before the war students of the labor problem had urged the creation of a coöordinated and centralized system of national labor exchanges, but it took a great emergency to reveal the necessity for such a system. There was much experimentation. For ten years previous to October 15, 1917, the Employment Service was a part of a division of the Department of Labor, namely, the Division of Information of the Bureau of Immigration, with less than one hundred branches — mere desks in the immigration offices. At the time of its reorganization in the office of the Secretary of Labor on the above date it had a personnel of less than one hundred persons, and a placement of 1,000 workers a day.⁵⁰ On the eve of the inauguration of the first step of the government's centralized war labor policy — August 1, 1918 — the Employment Service had more than 500 branch offices for the distribution of labor and 20,000 agents for the work of labor recruiting. It was placing at that time more than 10,000 workers a day in war industries, some of the branches placing more workers than the entire service seven months previous. When reorganization was fairly complete the branch offices constituted

⁴⁹ *Ibid.*, p. 205.

⁵⁰ *U. S. Employment Service Bulletin*, July 30, 1918, p. 6.

a network offering facilities for labor recruitment to every county and township in the country. In the most important agricultural and industrial sections special divisions were created to care for shipyard, dock, railroad, farm, and woman labor, with experts to determine the fitness of each worker for the particular job. A system of clearances was established between districts, states, and communities in which employers and employees, through the medium of state advisory and community labor boards and state organization committees, were given a share with other officials in the administration of the program instituted by the Employment Service. It is worthy of note that "every step of the reorganization and upbuilding process has been taken with the advice and counsel of experts in industrial management and labor."⁵¹ The Employment Service soon became one of the most important government agencies for the prosecution of the war and preparation for the reconstruction period.

Such extensive reorganization and expansion could be accomplished only with the expenditure of a considerable amount of money. Prior to October 15, 1917, the United States Employment Service had been conducted as an integral part of the Division of Information in the Bureau of Immigration, as explained in the preceding pages. Consequently the funds for operation of the service came out of the appropriations of that bureau, and its officers in the field acted in the dual capacity of immigration and employment officials. The exigencies of a war period, however, necessitated the establishment of public employment exchanges as a distinct and separate branch of the Department of Labor. In order to effect this and some other changes in the Employment Service, Congress was asked to make adequate appropriation. Congress responded with an "Act making appropriations to supply urgent deficiencies in appropriations for the fiscal year ending June 30, 1918, and prior fiscal years, on account of war expenses, and for other purposes," approved by the President on October 6, 1917, which provided for an appropriation of \$250,000 to "enable the Secretary of Labor during the present emergency, in addition to existing facilities, to furnish such information and to render such assistance in the employ-

⁵¹ *U. S. Employment Service Bulletin*, July 30, 1918, p. 6.

ment of wage earners throughout the United States as may be deemed necessary in the prosecution of the war."⁵²

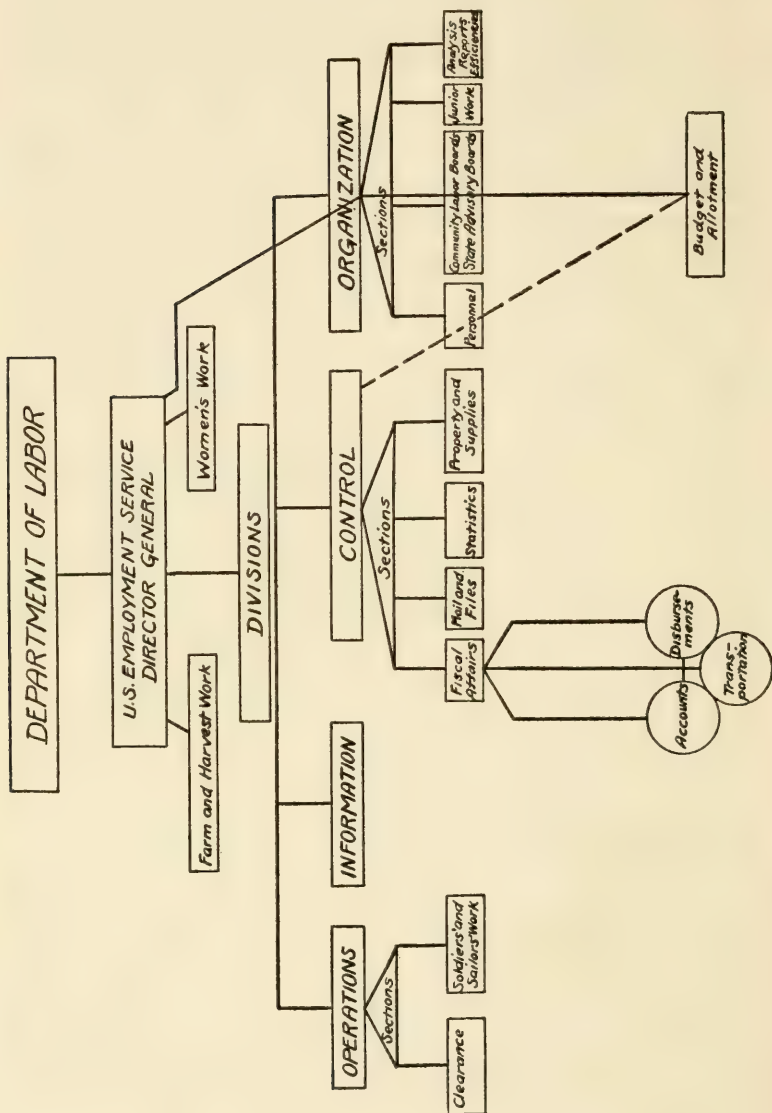
With funds available the work of reorganization was begun. Employment matters not emergent in character were continued in the Division of Information in the Bureau of Immigration, while those emergent in character were managed directly from the office of the Secretary of Labor without intervention from the Bureau of Immigration, and at the expense of the recently granted congressional appropriation. Emergency matters that came to the attention of the Division of Information were reported through the Commissioner of Immigration to the Assistant Secretary of Labor. The Boys' Working Reserve and the United States Public Service Reserve were transferred to the office of the Secretary of Labor to be supported out of the emergency appropriation.⁵³ This really was the first step in the work for the reorganization of the Employment Service.

The task of the Employment Service was greater than had been anticipated, and the congressional appropriation proved inadequate to sustain the service. On December 5, 1917, President Wilson rescued the service from the alternative of restricting its activities in a critical period by allotting to the Department of Labor \$825,000 from the appropriations for national security and defense, and thus made possible the continuation of the work of distributing productive labor throughout the country.

These additional funds permitted greater expansion of the Employment Service, and it became necessary to establish concentration of control and coördination of activities. With this purpose in view, the Department of Labor on December 13, issued a departmental order providing that all work of the Division of Information, whether emergent or otherwise, should be reported thereafter to the office of the Secretary of Labor and the division should receive its instructions in the future from the assistant secretary. On January 3, 1918, the Secretary of Labor directed that the Division of Information should thereafter be an integral part of the Employment Service and should be known as the Division of Information, Administration, and Clearance. On July 1, 1918, the Division of Information was again restored to the Bureau of Immigration.

⁵² *Sixth Annual Report of the Secretary of Labor*, 1918, p. 205.

⁵³ *Ibid.*, pp. 205, 206.



Organization and Administration of the Enlarged Employment Service. The creation of a distinct and separate employment service thus took place on January 3, 1918. The plan of reorganization set forth in the memorandum of that date provided for a director, an assistant director for field work and quasi-official bodies, and an assistant director for administrative work. The service was placed directly under control and supervision of the office of the Secretary of Labor. State, county, and municipal employment offices throughout the nation were coordinated under the authority of the United States Employment Service. This does not mean, however, that state employment services lost their identity when they became component parts of the national system. What actually happened was that these agencies were confederated with the national system, which enhanced both their prestige and their efficiency.

The Employment Service was organized with a director general and one assistant director, who with the chiefs of the divisions constituted a policies board. This board, however, was abandoned shortly after it was organized. Divisions were created to take charge of specific duties as to information, administration and clearance, woman labor, reserves, farm labor, etc. In all, seven regular divisions were provided for, namely: a Woman's Division, a Division of Information, a Division of Service Reserves which included the Public Service Reserve and the Boys' Working Reserve, a Farm Service Division, a Division of Investigation, a Statistical Division, and a Division of Service Offices.⁵⁴ Under the direction of these divisions the service reached out into the remotest districts of the country effecting correlation of effort between local, state, and national employment agencies. The introduction of the new system was endorsed and supported by the Council of National Defense, forty-eight State Councils of Defense, four thousand county councils, and innumerable community councils, which was striking evidence of the need for such a system of labor exchanges and of its possible development.⁵⁵

Even as early as May, 1918, the problem of securing an adequate supply of skilled and unskilled labor for war industries

⁵⁴ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 206, 207.

⁵⁵ *U. S. Employment Service Bulletin*, July 30, 1918, p. 3.

had become acute, and two special sections were created — the Skilled Labor Section and the Unskilled Labor Section. Co-operation between labor organizations and the Skilled Labor Section made possible the transfer of a large number of workers from nonessential to essential war work. Moreover, furlough from army duties was secured for many skilled workers whose services were sorely needed in emergency employments. Later, as we shall see, the Unskilled Labor Section became the exclusive agency for recruiting all unskilled workers for war industries, with the exception of labor for railroads, farms, and enterprises employing less than 100 men. Experience soon taught those in charge of the recruitment of labor that additional readjustments was necessary if the service was to perform its duties creditably.

Toward the end of June, 1918, plans were adopted providing for a system of state advisory committees, community labor boards, and state organization committees, consisting of representatives of employers, employees, and the United States Employment Service. These were to aid in recruiting unskilled labor for war industries and in the extension of the activities of the Employment Service throughout the country.

The labor mobilizing and distributing machinery of the reorganized Employment Service was effected on July 19, 1918, when two men representing employers and employees from every state east of the Mississippi met in Washington to hear details of the labor recruiting plan. The state divisions of the Employment Service sent a third member who was chairman *ex officio* of the state representatives. These three men composed what was known as the state organization committee of the United States Employment Service. A similar conference west of the Mississippi met at Denver July 25, 1918. In eleven and five days respectively, preceding August 1, 1918, each state organization committee established a state advisory board composed of representatives of employers, employees, and the Employment Service. In addition to the state advisory boards there were provided for local community boards created according to the volume of war production, transportation facilities, and other economic conditions, to be composed of representatives of local employers and employees. Industrial advisers were also provided for.

The changes introduced as a result of the conference referred to above may be summarized as follows: Abandonment of the system of thirteen districts originally established by the Employment Service, thereby making the state the unit, and gradual elimination of the district superintendencies; the centralization of responsibility for field organization in the hands of the federal directors of employment for the states; the introduction of uniform methods of office operation; and the reorganization of the administrative work at Washington into five divisions — control, field organization, clearance, personnel, and information — each in charge of a director.

The organization and functions of the state organization committees, the state advisory boards, and the community labor boards are worthy of note. The state organization committee was composed of representatives of the employing and the laboring interests of the respective states, together with a representative of the state employment service. Its duty was to assist the state director in organizing the state advisory board, and the community boards. It continued in existence only until these boards were formed.

The state advisory board in each state consisted of the federal director of employment as chairman, two representatives of labor, two of management, and two women, one of the latter to represent the workers and the other to represent the employers. The chief functions of these boards were: (1) To advise the federal director of employment in matters of policy and to aid him in selecting the members of his staff and the officers to be placed in charge of the main local offices, including the superintendents of women's divisions; (2) to recommend, when necessary and expedient, the removal of these officers; and (3) revision and approval of the apportionment among communities of their respective states of the quota assigned thereto for purposes of recruitment.

The community labor boards comprised five members, representing the United States Employment Service, local employers, and local employees. At the end of hostilities, November 11, 1918, there were 1,644 of these boards in operation. Their functions were: (1) Determination of all questions involving the recruitment and distribution of labor in the community, subject to ap-

peal by any member to the state advisory board; all decisions of both state advisory boards and community labor boards being subject to regulations issued and approved by the War Labor Board; (2) distribution of the community's quota of employees, assigning to industries and employers in non-war work the proportionate share which each should contribute to the army of workers needed by essential industries; (3) consultation of the employers' committee, represented in the community labor board, concerning the distribution and assignment of workers; (4) enjoying no executive powers, and depending upon the good will of employers and employees for its success, each community board had to encourage and develop the spirit of coöperation among these interests.⁵⁶

The industrial advisers, who were selected by the Department of Labor, furnished the district draft boards information as to the need for skilled labor and the supply of such labor in each community, and assisted these boards in arriving at their decisions as to whether or not individuals were performing work necessary to the effective prosecution of the war.

Experience taught new lessons and suggested additional improvements for the Employment Service. Almost every phase of governmental regulation during the war period was characterized sooner or later by centralization of control and coördination in administration. The recruitment and placement of unskilled labor became an increasingly difficult problem as the war continued, and it was obvious to those most intimately acquainted with the Employment Service that centralization and coördination must be introduced into the control and administration of the work of recruiting and distributing labor. The War Labor Policies Board recommended that exclusive authority for the recruiting and placing of unskilled labor be vested in the United States Employment Service, in order to eliminate apparent duplication of effort and labor stealing. This recommendation was submitted to President Wilson by the Secretary of Labor on June 15, 1918. On June 17, 1918, the President issued a proclamation urging all employers engaged in war work to refrain, after August 1, 1918, from recruiting unskilled labor in any manner whatsoever, except through the United States Em-

⁵⁶ *Seventh Annual Report of the Secretary of Labor, 1919*, pp. 266, 267.

ployment Service, and urging all workers to respond patriotically to calls for labor issued by the service in behalf of essential war industries. The regulations concerning this new development were sent out on August 1, and are so comprehensive and important that we quote them in full:

REGULATIONS COVERING CENTRAL RECRUITING PROGRAM

I. BY EMPLOYERS IN WAR WORK

To minimize the danger of interruption to war work in effecting the change from present competitive methods of labor recruiting, the government central labor recruiting program, as heretofore announced, provides that at the outset employers may continue to hire unskilled laborers who apply for work without solicitation and that private field forces may be utilized under control of the United States Employment Service.

In order that the United States Employment Service may be as effective as possible it is highly important that all employers engaged in war work keep the local office of the United States Employment Service informed from day to day of their exact needs for unskilled labor.

The regulations which govern private recruiting are as follows:

Recruiting regulations

1. Employers may continue to hire workers who apply at the plant without solicitation, direct or indirect.

2. The Federal director of employment in each State is authorized to grant permission to employers to use their own field agents for recruiting unskilled workers under his direction and control for war industries located within the State.

3. Permission to recruit unskilled laborers in States other than the one in which the work is located may be secured from the Director General of the United States Employment Service upon the recommendation of the Federal director of employment for the State in which the men are needed. Such permission will be communicated by the Director General to the Federal directors for the States in which the labor is needed and from which it is to be recruited.

Transportation of workers

4. No unskilled labor may be transported from one State to another without authorization from the Director General, to be secured by application through the Federal director of employment for the State in which the labor is recruited. No laborers may be removed from one employment district to another within a State without authorization from the Federal director of employment for the State.

5. Employers who receive permission to transport workers from one State to another or from one district to another within any State must file a statement with the nearest Employment Service office of the number of men transferred, the wages offered, and other terms and conditions of employment promised to the men.

No fee agencies or advertising

6. Employers who are permitted to use their own field agents for recruiting labor must in no case use any fee-charging agency or use any agents or labor scouts who are paid for their work on a commission basis.

7. All advertising for unskilled labor, whether by card, poster, newspaper, handbill, or any other medium, is prohibited after August 1, 1918. This applies to all employers engaged wholly or partly in war work whose maximum force, including skilled and unskilled laborers, exceeds 100.

Recruiting skilled labor

No restrictions are for the time being placed upon employers engaged in war work in recruiting their own skilled labor, other than that they should so conduct their efforts as to avoid taking or causing restlessness among men who are already engaged in other war work, including railroads, mines, and farms, as well as work covered by direct and subcontracts for departments of the United States Government.

Federal directors of the United States Employment Service for the several States are instructed to give every possible assistance to employers engaged in war work who desire to recruit skilled labor.

Employers in war work are at present under no restrictions as to advertising for skilled labor, other than that all advertising should be designed and conducted so as to avoid creating restlessness among men in war work (as above described).

II. EMPLOYERS IN NON-WAR WORK

Non-war industries should not offer superior inducements or in any other way undertake to compete for labor with the Government or with employers engaged in war work (as above described). Observance of the letter and spirit of this provision is necessary for the efficient prosecution of the war. Methods of recruiting and of advertising which do not offend against it are permitted.⁵⁷

United States Employment Service,
J. B. DENSMORE, *Director General*.

August 1, 1918.

Centralized labor recruiting which was inaugurated under these regulations materially reduced labor turnover, established priorities of labor distribution, and transferred unskilled workers from non-war industries to war-emergency work. Employers, labor union officials, and workers alike supported the entire program.

Thus in less than three weeks from the date of reorganization the reconstructed employment system was ready to function as the only agency for the recruiting and distribution of unskilled labor for war industries, since it was early in July that the War

⁵⁷ *Seventh Annual Report of the Secretary of Labor, 1919*, pp. 267-269.

Labor Policies Board decided to establish state organization committees. To announce this labor recruiting campaign 35,000 four-minute men, movies, papers, and other agencies were used by the service.⁵⁸ In a short time branch offices had been established in 500 localities with a total personnel of about 3,000 paid employees. The foundation for the success of the reorganized employment program of the government had been laid on April 30, 1918, when the United States was divided into thirteen employment districts, each under the direction of a district employment superintendent. Each district superintendent's office received reports from all public employment offices within the district, kept in close touch with the employment situation, supervised the work of state directors of employment in the states comprising the district, and managed the fiscal operations of the service. Thus a broad system of labor clearances was established, making possible clearance of labor between local offices within the state through the medium of the state office and between the states within each district through the district office, while clearances between districts were provided for through the main office at Washington.⁵⁹ The experiences obtained under this arrangement proved an invaluable asset and contributed much to the ease with which the readjustments in the service were made, and to the subsequent success of the reorganized service.

Activities of the Divisions

With this general survey of the development, structure, and operation of the United States Employment Service, we are in a position to appreciate more fully the achievements of the several divisions that contributed to the success of the general service.

The rapidity with which readjustments were made in the Employment Service to meet new problems and an ever increasing demand for its assistance was due largely to the efficient administrative machinery of the service. The administrative structure of the Employment Service, including the divisions, was determined by the memorandum of the Secretary of Labor issued on

⁵⁸ *U. S. Employment Service Bulletin*, July 30, 1918, pp. 3, 4.

⁵⁹ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 64.

February 22, 1918, and effective on March 1, 1918, which modified the departmental order of January 3, 1918, to which reference has been made in previous pages. The new memorandum contained the following provisions:

1. The Employment Service shall be administered by the Department.
2. There shall be a director, who shall have general supervision of all activities of the Employment Service.
3. There shall be an assistant director, who shall perform such duties as may be assigned to him by the director and shall act as director in the absence of his chief.
4. There shall be a Policies and Planning Board composed of chiefs of the different divisions, with a permanent secretary assigned to it.
5. The Division of Information shall be known as the Division of Information, Administration, and Clearance, which shall have charge of the ordinary administrative questions arising within the service, including files, correspondence, accounts, statistics, and other matters normally cared for by administrative divisions, and shall continue to conduct clearing-house operations connected with employment-exchange work. It shall also have under its supervision field work, quasi-official bodies, and service offices.
6. The other divisions will remain as at present, except the Division of Investigation, which shall be abandoned.⁶⁰

(1) *The Public Service Reserve.* The United States Public Service Reserve has been called the recruiting arm of the Employment Service. It was in charge of a national director, and in each state there was a federal director of the reserve, who in most cases was the same person who held the position of federal director of the Employment Service. The reserve supplemented the employment offices with 15,000 enrollment agents, who reached "down into the smallest village and hamlet to tap potential supplies of wage earners." These agents assisted greatly in the recruitment and the distribution of labor for the more essential supplies of wage earners." These agents assisted greatly in to fill special positions for whose services a heavy demand was imminent.

When the reserve was first organized by the Secretary of Labor on June 14, 1917, its activities were confined to the indexing and classifying of applicants at Washington for governmental service. In this way numerous governmental departments were furnished with thousands of men, chiefly of the

⁶⁰ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 208. The accompanying diagram of the organization of the service is from the *Seventh Annual Report of the Secretary of Labor*, 1919, p. 279.

highly skilled types, such as engineers, technical experts, and skilled mechanics. Even heads of governmental departments organized for war-emergency work were selected from lists furnished by the reserve. Among the achievements of the Public Service Reserve the following are most noteworthy: over 1,500 aviation motor mechanics enlisted within three weeks, in January and February, 1918, for service overseas; over 4,500 railway men listed for induction and enlistment into the Division of Military Railways; 470 for the Tank Corps; 472 as towermen for the Navy; all kinds of civilian help for the Ordnance Department. Up to June, 1918, the reserve had registered and indexed more than 300,000 men of various skilled and unskilled trades. In appraising the work of the Public Service Reserve the Secretary of Labor stated: "Undoubtedly production has been appreciably increased and efficiency improved by its ability to furnish on short notice men of almost any qualifications."⁶¹

(2) *The Boys' Working Reserve.* As a branch of the Employment Service the United States Boys' Working Reserve had charge of the mobilization and placement of boys between the ages of 16 and 21 in civilian war work. From the date of its organization, April, 1917, the boys' reserve fulfilled a useful function in recruiting juvenile workers to maintain food production, which threatened to break down on account of the withdrawal of 3,000,000 to 4,000,000 adults from productive enterprises. Besides conserving the labor of farm boys for the farm, the reserve during 1918 enrolled approximately 250,000 boys of high-school age, chiefly for agricultural work under direction of the agricultural division of the reserve. An illustration of the achievements of the boys' reserve is found in the fact that in Illinois 21,000 boys worked on the farms; in Connecticut, 10,000 boys helped to care for the largest crops in the history of the state; in New York, 12,000 boys rendered invaluable service on farms; in Indiana, 15,000 boys helped to cultivate the soil and harvest the crops.⁶² In Michigan, Georgia, Oregon, California, and other states special crops which were jeopardized because of lack of labor were rescued by lads who enlisted in the boys' re-

⁶¹ *Sixth Annual Report of the Secretary of Labor, 1918, p. 210.*

⁶² *Ibid.*, p. 211.

serve, and the country was thus assured of its supply of apples, beets, berries, cherries, apricots, plums, and grapes.⁶³

Voluntary enlistment, physical examination, and preliminary instruction were among the features of the reserve's activities in the several states. Central training camps were financed by state councils of defense or private subscription, while the boys' transportation expenses to and from the camps were usually paid by local communities from which the boys were taken. The pay received by the boys varied from \$1.00 to \$2.00 a day, and it is officially stated that the records from employers themselves show that over 95 per cent of the boys placed on farms were satisfactory workers.⁶⁴ In all this work the Y. M. C. A. and other constructive agencies aided materially.

By March, 1919, the boys' reserve had completed its organization with a federal state director in every state, the District of Columbia, and the territory of Hawaii; had enrolled and placed 300,000; given intensive training in farm practices and farm mechanics to more than 50,000 city high school boys; promoted many successful training camps for boys; supervised the leisure and recreational hours of these young workers; safeguarded the interests of the boys during hours of employment; and encouraged a large number of the recruits to return to complete their school work, after they had served their country on the farms.

The economic value of the services which these lads rendered to the nation in a great crisis is seen by the estimate, which is declared to be conservative, that they added a hundred million dollars' worth of food to the world's supply. The economic value to the boys themselves was significant. One-fourth of the boys in Indiana earned a total of \$1,111,722. They worked an average of 114 days each at an average wage of \$1.51 a day, exclusive of board. In Colorado, 3,500 boys earned \$609,823. In Massachusetts, 2,500 boys added nearly \$2,000,000 to the food supply in 1918, and the earnings of 600 of these boys gave an average of \$166.66. In Oregon, 1,950 boys earned \$253,778. New York City boys of whom records were kept earned \$368,938.76 net. Over 3,000 reserve boys in Texas averaged a little over 90 days' work each, and earned an average of \$1.10 a day

⁶³ *Seventh Annual Report of the Secretary of Labor*, 1919, pp. 372, 373.

⁶⁴ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 211.

net. In Oklahoma a record of 860 boys showed that in 79,537 days' work they earned \$111,198.38, exclusive of board — about \$1.40 a day net. Of 145 reserve boys in a South Dakota high school, 117 reported bank accounts with a saving of \$10,040 for the season of 1918. Actual records were used as the basis of these statistics.⁶⁵

The ideals and purposes of the United States Boys' Working Reserve have been expressed by Secretary of Labor Wilson in the following words:

Reserve officials feel that the record of the year's activities can not be accurately expressed alone in terms of food production, school extension, or industrial control. The effect of the public policies of the organization upon the spirit, ideals, and social attitudes of the boys as citizens of a great Republic at war is known to be profound, but can not yet be set forth in concrete terms. The movement has been and will be guided by the principles that in dealing with adolescence the latent boy power of the Nation can not and shall not be manipulated merely as a productive mechanism.⁶⁶

(3) *The Farm Service Division.* In the work of recruiting and placing agricultural labor the Employment Service functioned through the Farm Service Division, created December 13, 1917. To supervise this work a special assistant to the director general was appointed. Temporary offices were established throughout the country, especially in the states of Oklahoma, Nebraska, Missouri, Iowa, Minnesota, and the Dakotas, and a volunteer representative was selected in each county in these states to make crop reports and collect information regarding the need for farm labor. Working from the employment office at Kansas City as a center, excellent service was accomplished through these volunteer field agents. "As an evidence of the efficient manner in which this work was carried on, it may be stated that many letters have been received from chambers of commerce and individuals in the territory concerned, conveying the information that not a bushel of wheat has been lost through lack of sufficient help."⁶⁷ Between July 1, 1918, and April, 1919, the Farm Service Division placed 221,096 persons out of 393,933 called for. These figures do not include the thousands

⁶⁵ *Seventh Annual Report of the Secretary of Labor, 1919*, pp. 285, 286.

⁶⁶ *Sixth Annual Report of the Secretary of Labor, 1918*, p. 213.

⁶⁷ *Ibid.*

of harvest hands recruited through the Kansas City office. The division was discontinued in April, 1919.⁶⁸

(4) *The Women's Division.* The Women's Division of the Employment Service performed the important task of enlisting and placing women in essential occupations and emergency work. Recruiting was engaged in only when there were special calls for female help, or when women with special qualifications applied for positions. Subdivisions of the Women's Division were established in various localities throughout the nation, and these increased in number from 9 on January 1, 1918, to 55 on July 1, 1918, and soon to 57 separate divisions. These divisions were established by the creation of new offices or absorption of state, municipal, or other public employment offices. Data for the last six months of the fiscal year ending June 30, 1918, indicate the excellent work that was being done by this division through its local agencies:

Month	No. of persons placed
January	9,667
February	7,074
March	7,758
April	17,442
May	22,344
June	19,127
Total	83,412

While these placements for the most part consisted of women for industrial and domestic work, many women were placed in high-grade clerical and secretarial positions. On April 1, 1918, the Employment Service incorporated into the Women's Division the Women's Collegiate Section, which took charge of calls for women with special qualifications.⁶⁹

The centralized policy and decentralized operation principle which led to the establishment of the War Labor Policies Board and the Woman in Industry Service in May and June, 1918, respectively, resulted in the abandonment of the Women's Division. The purpose of this change was to enable the states and localities to handle their own problems of recruiting and placing women in industry in the way that seemed best to those who

⁶⁸ *Seventh Annual Report of the Secretary of Labor, 1919*, p. 289.

⁶⁹ *Sixth Annual Report of the Secretary of Labor, 1918*, pp 214, 215.

were in immediate contact with conditions. A woman assistant to the director general of the employment service was appointed to take charge of all matters concerning the employment of women, and in the administrative offices at Washington sections were created to supervise the work connected with the employment of women farm laborers, professional women, juvenile workers, reference information, publicity, interstate clearance, and the like. Moreover, a large number of the general offices of the Employment Service were handling both male and female labor in small cities. On November 11 women's divisions were operating as separate agencies in 40 states, with a variation in number from one in Arizona and Vermont to 20 in Illinois and 46 in New York. Women workers were represented on more than 500 community labor boards, and nearly 368,000 women were reported placed by the United States Employment Service during the ten war months of the year 1918. This number was equal to approximately 13 per cent of all placements made during that period. During the fiscal year ending June 30, 1919, about 739,013 women workers were reported placed.⁷⁰

(5) *The Negro Division.* The Negro Division was created by an amendment to the organization of the United States Employment Service, as provided for in a memorandum of the Secretary of Labor dated February 22, 1918. The purpose of this division was the more complete and efficient utilization of colored workers. This work was in charge of a chief of division, acting in conjunction with and partly under the supervision of the director of Negro economics.⁷¹

(6) *Special Services.* The problem of proper employment of longshoremen made imperative some kind of machinery for eliminating the inefficient and wasteful use of that type of labor. Conferences were held in New York, at which representatives of the Department of Labor, the longshoremen, the Army, the Navy, the Shipping Board, the Railroad Administration, and the ship owners, agreed that an elastic pool of dock labor should be provided. Consequently the Stevedores and Marine Workers' Division was organized and supervised by the United States

⁷⁰ *Seventh Annual Report of the Secretary of Labor*, 1919, pp. 271, 272, 287.

⁷¹ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 215.

Employment Service. Distribution of labor so as to promote the greatest efficiency was the primary purpose of the new division. In New York seven branches of the division were established, while other branches were located at Philadelphia, Baltimore, Norfolk, Newport News, Charleston, S. C., Mobile, New Orleans, Galveston, Boston, Portland, Buffalo, Seattle, and Duluth. The success of this service is evidenced by the fact that the port of New York increased its efficiency at least 30 per cent.⁷²

Another special problem which called for particular attention was the shipyard labor for Puget Sound yards. In January, 1918, the Employment Service and the Emergency Fleet Corporation established a central office for the distribution and recruitment of labor for these shipyards.

(7) *Mining Division.* The recruitment and placement of mine labor was assigned to the Mining Division of the United States Employment Service. The executive officers of this division were selected from representatives of mine operators and mine workers who were thoroughly acquainted with the mining industry and its labor problems. A shortage of mine workers arose on account of the abnormal demand for coal and metals and the drafting of large numbers of mine workers for military service. Through the coöperation of the officers of the United Mine Workers of America the division secured the names of 15,000 practical miners, engaged in non-war work, who were available for transfer to essential or war-emergency duties. The majority of these men were induced to give up more lucrative and remunerative positions to enter the mines in patriotic service to their country.⁷³

(8) *War Placements of the Employment Service.* Some idea of the magnitude of the task which the Employment Service had to perform may be gathered from the statistical data that is available concerning its activities. Reports were not always obtainable, so statistics do not give a complete story of the achievements of the service. Nor, indeed, can its accomplishments be measured in terms of placements. Its influence upon the production of food and materials, and in building up the morale of our adult and juvenile working force can not be esti-

⁷² *Seventh Annual Report of the Secretary of Labor*, 1919, p. 276.

⁷³ *Ibid.*, 274.

mated. During the eleven months of its wartime operation on a reorganized plan—January, 1918, to November, 1918—the United States Employment Service took care of the following registrations, applications, references, and placements:

TABLE X. SHOWING THE NUMBER OF REGISTRATIONS, APPLICATIONS, REFERENCES, AND PLACEMENTS MADE BY THE UNITED STATES EMPLOYMENT SERVICE DURING THE PERIOD JANUARY TO NOVEMBER, 1919, INCLUSIVE ⁷⁴

Month	Registra- trations	Help Wanted	Referred	Reported Placed
January	82,353	80,002	62,642	51,183
February	92,452	92,594	70,369	58,844
March	144,156	177,831	118,079	100,446
April	195,578	320,328	171,306	149,415
May	206,181	328,587	179,821	156,284
June	246,664	394,395	221,946	192,798
July	282,294	484,033	250,152	217,291
August	555,505	1,227,705	500,510	395,530
September	531,226	1,476,282	513,662	362,696
October	594,737	1,588,975	606,672	455,931
November	744,712	1,724,943	748,934	558,469
Total	3,675,858	7,895,675	3,444,093	2,698,887

It will be seen from the above table that the calls for help that came to the Employment Service exceeded the number of persons registered with the service, the number of persons listed being only about half as large as the number called for by employers. Of the 3,444,093 persons whom the service referred to employment 2,698,887 or about 78 per cent were reported to have been placed. There is every reason to believe that if statistics had been carefully and accurately kept in each case taken care of by the service the record of placements would be much more gratifying than the excellent achievements already cited.

(9) *Summary of the Post-war Activities of the Employment Service.* The Employment Service did not have the opportunity to slow up its wartime activities when the armistice was signed on November 11, 1918. The demobilization of the army and navy entailed the serious problem of placement of labor. Of necessity the termination of hostilities resulted in the discontinuance of some of the war branches of the service and the

⁷⁴ *Ibid.*, p. 275.

cancellation of regulations governing centralized recruiting. Moreover, control over the recruitment and distribution of unskilled labor was withdrawn. The wartime problem was reversed. Whereas the service had been burdened with the task of finding men for jobs, the end of hostilities brought to it the task of finding jobs for men. The abandonment of huge war contracts forced the release of thousands of wage earners within a short time, and as soon as a mass of returned and demobilized soldiers and sailors added to this number the problem became extremely difficult.

Cancellation of war contracts was bound to react unfavorably on the labor situation. To avoid disastrous results from this source the War Industries Board coöperated with the Department of Labor. On November 20, 1918, instructions were sent out to all federal directors of the Employment Service under the provisions of which a survey in 122 cities was made, and weekly reports of labor conditions in those industrial centers were sent to the War Industries Board. Information secured in this way furnished the basis for cancellation of war contracts by the board, acting as the agent of the government.⁷⁵ Needless to say, these steps had much to do with the prevention of serious unemployment and its attendant problems which abrupt cancellation of war contracts would have precipitated.

The demobilization of the military and naval forces contained even more possibility of serious effects upon the labor market than could have resulted from the sudden cancellation of war contracts, since demobilized soldiers and sailors could not so easily locate the opportunities for employment. As a precautionary measure the Employment Service called a conference of the representatives of national welfare organizations and government bodies concerned with demobilization to meet in Washington on December 2, 1918, for the purpose of outlining a program for assisting soldiers, sailors, and war workers in finding employment. A plan was adopted whereby a central board was formed at Washington, with a representative of the Department of Labor as chairman, consisting of numerous governmental and welfare organizations. Immediate steps were taken to establish throughout the country bureaus for returning soldiers and

⁷⁵ *Seventh Annual Report of the Secretary of Labor, 1919*, p. 276.

sailors. More than 2,000 of these bureaus were organized. In addition, the Employment Service placed its representatives at demobilization camps and supplied information concerning employment in this country to service men at the embarkation camps and on board transports.

Soon the Employment Service established the following sections: The Junior Section, for the purpose of giving vocational guidance to boys and girls between the ages of 16 and 21; the Handicap Section, which dealt with the placement of persons handicapped by age or some other physical disability; the Professional and Special Section, which had as its function the placement of highly trained persons, such as the engineer, the executive, or the teacher.⁷⁶

In August, 1918, it was estimated that for the fiscal year ending June 30, 1919, about \$14,801,382 would be required to carry on the work of the Employment Service. This estimate was based upon the assumption that the war would continue for the period of another year at least, and that about 1,000 branch offices and a personnel of 6,000 employees would be necessary. Only about \$4,634,325.92 was asked for finally. Post-war activities resulted in the expenditure of an amount exceeding the appropriation of \$5,500,000 which had been made for the current year's work. Consequently, a deficiency appropriation was asked and was included in the "Third Deficiency Appropriation Act, 1919," which was voted on favorably by the House of Representatives on February 22, 1919. This carried an item of \$1,800,000 for the Employment Service work until July 1, 1919. The Senate failed to pass this measure, and the service was deprived of much needed funds. The Department of Labor communicated with President Wilson, who was on his way to France, with the hope of securing from the President an allotment from funds appropriated for the national defense and safety. The President was unable to grant the request on account of the fact that this appropriation was practically exhausted. Thereupon, the Department of Labor notified the federal director of the employment offices in each state to reduce the organization to a skeleton, beginning March 22. Assistance from state and municipal authorities and community organiza-

⁷⁶ *Ibid.*, pp. 276, 277.

tions was so generous that in place of reducing the number of employment offices, which the Employment Service was able to maintain out of its own funds from March 22 to July 1, to 56, the number of offices kept in operation during that period was 490. In a special session of Congress, May 19, 1919, appropriations for deficiency items were recommended, and the Employment Service received \$272,000, available at the beginning of the next fiscal year.⁷⁷

In spite of financial troubles the United States Employment Service did admirable work in the trying months immediately following the cessation of hostilities. Between November, 1918, and June, 1919, inclusive, the service interviewed at the various camps and on the transports approximately 2,055,985, out of a total of 2,561,894. Of the number interviewed 706,509 were in need of assistance, of whom 115,096 were referred directly to employers, and the remainder to bureaus. In addition to this number, a total of 16,360 were registered by the Emergency Fleet Corporation, the United States Merchant Marine, and the United States Railroad Administration. Between December 1, 1918, and June 28, 1919, the number of service men registering for employment totaled 517,902, of whom a total of 321,077 were placed.⁷⁸

(10) *Summary of Employment Statistics.* The activities of the United States Employment Service from January, 1918, to June, 1919, inclusive, are shown in the statistical data that have been compiled, altho, as already suggested, the true value of the service cannot be thus measured. In the period under consideration the Employment Service received calls for 12,104,184; it registered 7,133,831; referred 6,470,516 to positions; while 4,976,320 persons were reported placed. This means that in a period of eighteen months about 91 per cent of the persons registered with the service were referred to positions, and of these about 78 per cent were placed. Approximately 10,000 persons were placed in jobs of all kinds each day during this period, without any expense to the employers and at the expense of only \$1.34 per placement. It is estimated that the saving in fees to the persons directed to employment by the federal gov-

⁷⁷ *Seventh Annual Report of the Secretary of Labor, 1919*, pp. 277, 278.

⁷⁸ *Ibid.*, p. 292.

ernment in coöperation with states and municipalities aggregated fully \$10,000,000, while many millions more were saved for the nation through increased hours of labor due to reduction of labor turnover and the rapid placement of unemployed workers.⁷⁹

The nature of the employment secured by the service ranged from common labor and domestic service to high-salaried professional and technical workers. "It was not uncommon for an \$1,800 examiner to place a \$15,000 engineer or executive." Farm recruitment was, of course, one of the chief accomplishments of the service. Common-labor placements constituted about 23 per cent of the total of slightly under 5,000,000 persons placed, while the other 77 per cent comprised skilled labor and other workers qualified for special positions. Women constituted 20 per cent of the total number of persons placed, and "many a woman has found in the Federal Employment Service a gateway to the industrial, commercial, or professional life she has desired to enter. Large numbers of college-trained women have used the service, which has been working in conjunction with alumni associations throughout the country."⁸⁰

7. OTHER ADMINISTRATIVE AGENCIES

Woman in Industry Service

Some of the most serious labor problems of recent years, especially during the war period, have arisen out of attempts to use women workers effectively in various processes of production. So intimate is the relation between woman and the future welfare of the nation that it is now generally recognized that especial care must be exercised in safeguarding the physical and moral interests of women engaged in industrial work. Profits rather than the welfare of the workers are likely to be uppermost in the mind of the entrepreneur, and for this reason it has become increasingly necessary for the state, through the exercise of its police power, to establish necessary safeguards. The announcement of the inclusion in the draft of all men between the ages of eighteen and forty-five years forced the attention of the government and employers to the problem of replacing men workers in industry by women.

⁷⁹ *Ibid.*, p. 293.

⁸⁰ *Ibid.*

To deal with this aspect of the labor problem during the war the Woman in Industry Service of the Department of Labor was organized early in July, 1918, with Miss Mary Van Kleeck as director, and Miss Mary Anderson as assistant director. The duties of this service were summarized as follows: (1) Consideration of all general policies with respect to women in industry and advice to the Secretary of Labor regarding the principles and policies to be followed; (2) coöperation with the several divisions of the Department of Labor in matters pertaining to women in industry; (3) collection of data and the useful tabulation of these data for distribution when of particular interest and help to those concerned with the problems of women in industry; (4) establishment of relations with the governmental departments and divisions and voluntary agencies in so far as these related themselves to or were interested in the subject of women in industry.⁸¹ Altho this statement of the duties of the Woman in Industry Service presumes that the service was organized primarily to determine policies concerning women in industry, it has performed administrative functions and has co-operated extensively with state departments of labor in matters involving women workers.⁸²

The War Labor Policies Board adopted, and all production departments of the government approved, certain principles governing the work of the Woman in Industry Service. According to these principles women might be placed in essential occupations easily filled by them, such as cashier, clerk, and accountant positions; they were prevented from entering occupations, such as service in barrooms and saloons, mines, and smelters, which are unfit for them on account of moral and physical conditions; the introduction of women into hazardous industries such as those using industrial poisons must be guided by standards as to health, comfort, and safety established by the War Labor Policies Board and those already defined by the United States Government and state departments of labor; due regard must be given to regulation of hours, night-work, and over-time when women are placed in new occupations such as street rail-

⁸¹ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 67.

⁸² For details of the organization of the service see *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 116-122.

way service, public messenger service, and elevator service; recruiting of mothers of young children must be discouraged; the possibility of hiring women must not be made a pretext for unnecessary displacement of men; employers were urged to seek the aid and advice of the Woman in Industry Service as to methods of introducing women workers and the establishment of required working conditions.

Two things were desired relative to the employment of women in essential industries, namely, the most efficacious application of woman labor, and the protection and conservation of the health and welfare of women workers. The necessity of guaranteeing these two conditions led to the organization of agencies in the government to study the problems underlying the employment of women and to advise the industries regarding hours, wages, and proper working conditions. To these ends, the Ordnance department organized as part of its Industrial Service Section a women's branch with representatives in every district office of the department and in the arsenals employing women. The United States Railway Administration established a women's section in its Labor Division. Then, of course, with the introduction of coördinated war labor administration the Woman in Industry Service began its work as a part of the Department of Labor, its peculiar functions being to advise the Secretary of Labor on all matters affecting the employment of women and to coöperate with all those agencies concerned with the production of war materials in so far as their problems involved the employment of women.⁸³ The principles cited above and the organization of woman in industry divisions in the several production departments of the government will prove a valuable asset to the nation even after return to normal conditions.

In order to secure coördination in policies and practices in dealing with the problem of woman in industry the Secretary of Labor authorized during the war the formation of a Council on Women in Industry, a discussional group composed of representatives from all federal agencies having organized work related to problems of women workers. At the beginning of the

⁸³ See "Federal Policies for Women in Industry," by Miss Mary Van Kleeck, *Annals of the American Academy of Political and Social Science*, Vol. LXXXI, No. 170 (January, 1919), pp 87-94.

fiscal year 1920 the title of the Woman in Industry Service was changed to the Women's Bureau. The continuation of this branch of the Department of Labor is a testimony of its success and value during the war.

Bureau of Industrial Housing and Transportation

We have already touched upon the problem of housing and transporting workers attracted by high wages to the centers of war industries. Recognition of the seriousness of this problem led to the establishment in February, 1918, of the United States Bureau of Industrial Housing and Transportation as a part of the Department of Labor. Thus for the first time earnest attention was given to a problem which, even before the war, had assumed a perplexing aspect. European countries had long since created remedial measures, but the United States was slow to act. The newly created bureau operated through the United States Housing Corporation of the Department of Labor. This corporation was incorporated under the laws of the State of New York, in June, 1918, the capital stock amounting to one thousand shares of \$100,000 each, 998 of which were held by the Secretary of Labor for the government. The expenditure of \$110,000,000 appropriated by Congress for housing war workers, not including the \$60,000 set aside for this purpose by the United States Shipping Board, was placed under the direction of the Housing Corporation.⁸⁴ This corporation endeavored to solve the housing problem by: (1) making available housing facilities through carefully conducted investigations in particular communities where the need was great; (2) connecting through improved transportation those places where labor was in demand with the communities that possessed surplus housing facilities; (3) encouraging and aiding private capital to build; (4) assisting in the proper distribution of the labor supply and the placing of war contracts in such a manner as to avoid congestion; (5) constructing and operating of houses, apartments, and dormitories; (6) registering vacant houses and rooms and commandeering dwellings not otherwise in use.⁸⁵ The organization of the bureau included the following divisions: Architectural,

⁸⁴ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 69.

⁸⁵ *Ibid.*, February, 1919, p. 248.

Construction, Engineering, Fiscal, Homes Registration and Information, Industrial Relations, Legal, Operating, Real Estate, Requirements, Surveys and Statistics, Town Planning, and Transportation.

By the end of October, 1918, allotments for house construction had been provisionally made for 76 cities in need of additional facilities to shelter war workers on army and navy contracts; 26 developments were under construction, involving an expenditure of \$37,306,778.88, estimated to house 9,000 families aggregating 45,000 individuals. Up to October 10, financial allotments had been made for 50 projects. Allotments for projects where work had not already been contracted for represented on that date an estimated expenditure of \$94,416,350. On the 26 projects then under way the estimated expenditure was \$66,560,650.⁸⁶ At Washington Navy Yards new construction was planned as follows: 14 apartment houses, 8 stores, 14 two-story dormitories, and one mess hall — a total of 37 buildings with a housing capacity of about two thousand persons. In the city of Washington 12 dormitories, 2 cafeterias, 2 administration buildings, and 2 infirmaries — a total of 18 buildings with accommodations for approximately two thousand people were constructed; and additional facilities planned included 10 dormitories, 28 apartments, 1 administration building, 1 infirmary, and 1 cafeteria — a total of 41 buildings to house 2,800 persons. Financial allotments for Washington exceeded the \$10,000,000 appropriated by Congress for this purpose. In addition to the above, 116 houses in Washington alone were requisitioned by the bureau.⁸⁷

On November 11, when hostilities ceased, the United States Housing Corporation had under consideration 94 housing enterprises and projects. For 60 of these contracts had been let, and plans had been completed for contracts in 25 cases. In the case of seven plans were in preparation or had been ordered, while in the case of four projects construction had been postponed. With the signing of the armistice 54 projects were abandoned and 15 were curtailed, while 25 were proceeded with as planned. It was estimated that it would require \$45,000,000

⁸⁶ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 131, 132.

⁸⁷ *Ibid.*, pp. 134, 135.

to complete the 25 projects which were under way.⁸⁸ By May 19, 1919, construction contracts to the extent of \$4,517,897.92 had been almost completed, work was under way on contracts valued at \$27,843,226; contracts to the value of \$25,111,794.79 had been canceled at an approximate cost of \$5,224,477.81. There were canceled without loss projects to the value of \$5,706,614.27, and projects to the value of \$275,000 were taken over by the Army. Contracts amounting originally to \$63,454,532.98 had been reduced to a final cost of \$40,782,288.43.⁸⁹

Labor Adjustment Service

To the Division of Conciliation and Labor Adjustment Service was entrusted the important task of mediation and jurisdiction over the settlement of strikes, lockouts, and other manifestations of maladjustment in industrial relations. There was already in existence a large force of conciliators, and the National War Labor Board constituted a court of last appeal. These facilities reinforced by those introduced with the Labor Adjustment Service did much to prevent the spread of strikes and lockouts during the emergency. Nearly two and one-half millions of wage earners, or about three times as many as during the preceding year, came within the peace-making activities of the Conciliation Division of the Department of Labor during the fiscal year 1918. Most of these cases were either adjusted outright by the division or referred to the War Labor Board. The importance of the activities of the Labor Adjustment Service may be judged from the fact that in 1918, the number of men indirectly affected in the cases handled totaled 1,315,657, and the total number directly affected, 1,041,342. In the cases adjusted and those referred to the National War Labor Board, 859,239 workers were affected directly and 1,122,205 indirectly.⁹⁰ The development of these mediation activities is shown more in detail in the statistical data already presented in this study.⁹¹

⁸⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, February, 1919, p. 248.

⁸⁹ *Seventh Annual Report of the Secretary of Labor*, 1919, p. 185.

⁹⁰ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 30, 31.

⁹¹ See p. 126.

Information and Education Service

The Information and Education Service was organized on July 1, 1918, under the act providing for appropriations to take care of sundry civil service expenses for the fiscal year 1918, and for other purposes, approved by the President on the above date. The purpose of the act was to enable the Secretary of Labor to acquire and diffuse information on the subjects connected with labor. The appropriation for this work amounted to \$225,000.⁹² Mr. Roger W. Babson was director of this service. Under his direction the service endeavored to develop sound public sentiment on labor questions, to combat unsound industrial philosophies, and to present, especially to working men, the real issues of the war. In addition, it secured the exchange of information between the departments of labor administration and private agencies in industrial plants for the execution of the national labor program.⁹³ The following divisions were created under this service: Education, Information, Industrial Plants, Economics, Posters. During the reconstruction period a sixth division was added known as the Division of Public Works and Construction Department. These divisions did a comprehensive work. Material was sent out daily to over 5,000 newspapers, to magazines, and business periodicals; a staff of 19 speakers and several hundred volunteer agents addressed trade unions, clubs, chambers of commerce, and other organizations; about 1,000,000 posters were distributed monthly and displayed in workshops, about 30,000 stores, and 30,000 railway stations; committees known as government committees to promote contact between workers, their employers, and representatives of the Department of Labor were organized in over 12,000 plants, and the extension of this scheme to cover 14,000 establishments was planned.⁹⁴

Summary of Activities. The clipping service maintained by the Division of Education covered 150 papers, with a daily circulation ranging from 20,000 to 400,000, in cities with populations from 32,000 to 5,000,000. In this way information was disseminated among an average of about 12,000,000 readers each

⁹² *Sixth Annual Report of the Secretary of Labor*, 1918, p. 127.

⁹³ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 69; *Seventh Annual Report of the Secretary of Labor*, 1919, p. 162.

⁹⁴ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 128-130.

day. Its staff of special writers contributed to magazines and newspapers, and the facilities of the division were placed at the disposal of all persons desiring information for personal use or for publication. Special agencies were also used, including the Carnegie Institute, the Military Intelligence, the American Educational Association, the Federal Board for Vocational Education, the Signal Corps of the War Department, and the Red Cross. The Information Division through its efficient staff of speakers, and a volunteer speaking force of 400, contributed much to the upbuilding of an industrial morale, the stimulation of production, the reduction of labor turnover, and the promotion of industrial peace. Fifty of the volunteer speakers alone reported that they had delivered 1,200 addresses for this purpose, their message reaching business men, employers, and workers. They emphasized the need of a new vision in industry. To carry this message more intimately to the industrial workers and employers the Industrial Plants Division was organized on July 5, 1918. Its plan of organization proposed the establishment of war industries committees to encourage production, reduce absenteeism and tardiness, eliminate unnecessary labor turnover, and promote patriotism. The Division of Economics was largely an advisory body. It summarized policies and decisions that were made by the various labor adjustment agencies, compiled the experience of Great Britain in solving her many labor problems, and made recommendations to other divisions that sought advice in these things. The Poster Division did much to maintain the national morale, distributing from 700,000 to 1,000,000 posters monthly.

Hostilities ceased at the time of the year when unemployment is most pronounced. To meet this situation the Department of Labor made every effort to promote certain industrial activities that had been more or less dormant during the war period, especially public construction works and private building. The Information and Education Service was used to encourage building and buying. The Division of Public Works and Construction Development was created to supervise such activities as were related to building and consequently to employment. A conference of economists was called to discuss these important problems, and an investigation of economic conditions was made.

About 26,000 questionnaires were sent out to determine the amount of building suspended during the war and the reasons why this work was not resumed subsequent to the signing of the armistice. Approximately 7,000 replies were received, and these showed a total amount of suspended building operations of \$2,000,000,000. Of this amount more than two-thirds was for public works and the remainder for private construction.⁹⁵

A home-owning campaign was instituted. Campaigns were projected in 92 cities and were well organized in 78. Correspondence was conducted by the Department of Labor with nearly 2,000 cities. A special bill was drafted and presented to Congress providing for a system of banks to be known as Federal Home Loan Banks. It involved the building and loan associations of the country, 7,269 in number, with a total membership of 3,838,612 and total assets of \$1,750,000,000. To advance loans more abundantly to home builders was the primary object of this scheme.

The Department of Labor, through its Information and Education Service, was active in other ways, endeavoring to solve the labor problems of the reconstruction period. Of special interest was the sending to Europe of a commission of representative employers for the purpose of ascertaining the following facts: (1) The attitude of employers toward problems of labor with special reference to their idea of adjustment of disputes; (2) the views of the working classes and the attitude of the labor leaders; (3) the methods and plans of governments to allay labor unrest. Among other subjects of interest the commission investigated the shop-steward movement, the Whitley plan for joint standing industrial councils, unemployment insurance, health insurance, hours of labor, housing, minimum wage, and compulsory arbitration.

The valuable report of this commission is summarized as follows:

1. Employers in Great Britain generally recognize the desirability of bargaining collectively with labor.
2. Employers nearly all agree that collective bargaining should always be undertaken between associations of employers and the regularly established well-organized trade-unions.
3. Most employers freely recognize the right of labor to organize; they

⁹⁵ *Seventh Annual Report of the Secretary of Labor, 1919*, p. 168.

regard organization as greatly contributing to the stability of industry. Some large manufacturers declare that they wish to see every workman within the unions, so that they must all come under organization control. Others feel that 100 per cent organization might lead to dangerous types of universal strikes and lockouts. The more conservative employers appear to make no effort to help along organizations of labor, merely dealing with such organizations when they appear on the scene.

4. Employees in Great Britain are divided into sentiment shading from those who want to maintain the trade-unions along the regularly established so-called "constitutional" lines to ultraradical socialists.

5. Employees are nearly a unit, however, in expressing opposition to the use of force. The most radical desire "now" a complete overturning of the present social structure, but usually admit on close questioning that "now" may mean many years. They want to "start" now. Practically none appear to approve of a sudden change, as in Russia.

6. Employees of the ultraradical type look askance at collective bargaining and organizations of labor and capital. They freely express the view that they do not wish harmony between employees and employers, since harmony would help to continue the present system of society.

7. Employees of the more conservative type . . . are largely in accord with employers in the desire (1) to head off labor unrest at this period; (2) to strengthen the unions by holding members under control; (3) to increase production for the sake of the nation, workmen included — with no restriction on output except as it affects the health of the worker; (4) to leave control of business policies in the hands of those managing the business.

8. Government officials appear to be uniformly of the opinion that the Government should function in labor unrest only as an absolutely last unavoidable resort. On the other hand, they maintain the right of the Government to step in when necessary in order to protect public interests against minorities which try to force their terms upon the people.

9. In general the Government, and most employers and conservative employees, appear to be agreed:

That the spirit of coöperation between capital and labor is highly desirable.

That the spirit of conciliation is important for the benefit of the employer in stabilizing his business and for the benefit of the employee in preserving his regularly organized unions.

That in collective bargaining the right-minded employer will not attempt to return to the pre-war industrial era, and that the right-minded employee will not attempt to crowd his demands to the point at which the stimulus for private business enterprise will disappear.

The spirit of a genuinely better new (and not novel) era is thus being fostered by widely varied elements of Great Britain's industrial system.⁹⁶

⁹⁶ *Ibid.*, pp. 171, 172. The members of this commission were: E. T. Gundlach, Chicago, chairman; R. J. Caldwell, New York; Dor E. Felt, Chicago; William H. Ingersoll, New York; Eldon B. Keith, Brockton, Mass.;

The Information and Education Service, under the direction of the Secretary of Labor, arranged a conference of governors and mayors on March 3, 4, and 5, 1919. At this conference there were present the chief executives or their representatives from 47 states, 22 governors attending in person; mayors from 184 cities; and representatives of municipalities from 41 out of the 48 states. The purpose of this conference was to consider means for facilitating industrial readjustment in the reconstruction period. Steps were taken to make this conference a permanent institution.

Training and Dilution Service

As suggested elsewhere in this study, the war made manifest the dearth of skilled labor in the United States, and we were forced to adopt a policy of intensive training in order to meet the demand for technically trained workers. To devise and execute a program for providing a supply of skilled workers the Training and Dilution Service of the Department of Labor was created under authority of the War Labor Administration Act, which appropriated \$150,000 for this work. Mr. Charles T. Clayton was appointed director of this service. Its duties were to ascertain the best methods used in industrial establishments for training workers to do specific kinds of work; to discover the need for such training; to provide information on this subject to industrial managers and employees; to inspect the operation of training schemes and make a report concerning them; to provide for dilution of labor if necessary, with a view to turning over to unskilled laborers a large part of industrial processes formerly performed by skilled workmen; to promote special training wherever necessary; and to coöperate with the United States Employment Service in all of this work.⁹⁷

The Training and Dilution Service as instituted on July 16, 1918, constituted of the following divisions:⁹⁸ (1) Planning Division, having charge of all studies with regard to ways and

R. R. Otis, Atlanta, Ga. Dr. Royal Meeker, Commissioner of Labor Statistics in the Department of Labor accompanied the commission as economic adviser, and Mr. B. M. Squires, a commissioner of conciliation in the Department of Labor, as statistician.

⁹⁷ *Sixth Annual Report of the Secretary of Labor*, 1918, p. 124.

⁹⁸ The name of the service was later changed to "Training Service."

means of training and dilution, and conducting these studies through the Training, Research, and Information Sections; (2) Administrative Division, comprising Personnel and Accounts, Statistics and Reports, Correspondence and Files Sections, and fulfilling the functions indicated by the names of these agencies; (3) Training Division, including a field service with a chief, and superintendents in each of twelve districts throughout the United States, whose duties were to stimulate production of war materials by organizing vestibule training departments in industrial plants and to encourage industrial training in public schools in connection with plans provided by the Federal Board for Vocational Education; (4) Dilution Division, whose functions included the study of needs of industrial plants for competent, skilled workers, and the ascertaining of the available supply by the aid of the United States Employment Service. In addition, this division made special studies of hygienic fitness of factories for the dilution of labor, through cooperation with the Public Health Service.⁹⁹

The nation's need for workers with special training may be gathered from the fact that during the nineteen months of our active participation in the war 1,000,000 persons were examined for civil service positions and 400,000 were actually supplied for governmental work. The number of civilian employees in the District of Columbia increased from 35,000 to 95,000; the civilian forces of the Navy and naval stations increased from less than 21,000 to more than 100,000, and in government ordnance plants from 11,000 to about 40,000.¹⁰⁰ Everywhere the need for trained workers was great and the supply scarce. The investigations and work of the Training Service did much to revive interest in vocational education and industrial training in the United States.

The operation of the service, including methods of field work, may be summarized as follows: (1) Visiting employers who were in need of higher average output; (2) explaining industrial training; (3) analysis of plant operation; (4) preparation of plans for introducing training adapted to the special needs of

⁹⁹ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 124, 127.

¹⁰⁰ *The Annals of the American Academy of Social and Political Science*, LXXXII, No. 171 (March, 1919), p. 100.

the plant under consideration; (5) assisting the employer in selecting his own personnel to supervise the training. On June 30, 1919, 359 companies had training departments; 67 training departments had been discontinued; 247 establishments were requesting information and advice concerning training work; and 125 companies were preparing to install training systems. The greatest service rendered by the Training Service consisted in the plans it designed and disseminated in behalf of plants desiring training methods. It was thus a clearing house of information for industries.

The experience of the Training Service taught the nation the lesson that any system of industrial training designed for the United States must include the following elements: (1) A clearing house of methods and experience; (2) a staff of well-trained experts to study and analyze the special problems of particular industries; (3) classification of results and the dissemination of knowledge thus gained; (4) frequent conferences of representative employers and representative labor officials to discuss the general aspects of industrial training and efficiency.

The value of a Training Service to a country, especially to the United States, has been well expressed by the Secretary of Labor in the following passage:

The experience of the service indicates that out of the 10,000,000 wage earners now employed in American factories, probably three-fourths are not properly qualified for their chosen occupations. This great body of seven and a half million workers today has no recourse for education suited to its needs. With workers stumbling along from day to day, oppressed with a sense of inferiority and hampered in ability to produce the goods the Nation needs and to earn the wages they must have to live, industrial unrest is not surprising. It is the duty as well as the privilege of the Nation to meet the need for industrial education by showing employers how to establish adequate training schools for the workers. No single remedy can be found for industrial unrest; its causes are complex. But no element in its causes is larger or more important than the feeling of denied opportunity that oppresses the worker who knows that his knowledge of his work is insufficient, and who charges that denial upon a society that ignores his situation and will not give him even advice and suggestions.

The sum of the findings of the United States Training Service is that labor wants an open way to self-development, a real opportunity for self-advancement, and that through a system of practical industrial training, intensive but thorough, lies more of such opportunity than in any of the present accepted types of education.¹⁰¹

¹⁰¹ *Seventh Annual Report of the Secretary of Labor, 1919, p. 161.*

Working Conditions Service

Throughout this study emphasis has been placed upon the necessity of supervising working conditions, which under the demand for increased production during an emergency are very likely to become intolerable. It was imperative that there be provided machinery for safeguarding conditions of labor in the production of war materials. Under the War Labor Administration Act, approved July 1, 1918, Congress appropriated \$45,000 for the establishment of a Working Conditions Service. English experience had demonstrated the wisdom of providing supervisory power to prevent over-fatigue and the consequent undermining of health and efficiency. In the United States the laws of several states provided for safeguards along these lines and the various production departments of the government had, of their own accord, instituted strict regulation of working conditions under government contracts, but all this effort lacked uniformity of method and centralized control.

The duties of the Working Conditions Service in regard to war industries were the examination of working conditions, determination of standards, formulation and interpretation of regulations, establishment of the best and most adequate means of adoption and application of these rules, and coöperation with state authorities in all matters pertaining to conditions of employment.

Early in August, 1918, this service was finally organized with Mr. Grant Hamilton as director. Administrative policies were executed by the following divisions: (1) The Division of Industrial Hygiene and Medicine, coöperating with the United States Public Health Service. The functions of this Division were to provide medical preventive methods, to maintain the health of workers, to reduce occupational diseases, and to discover health hazards with a view to reducing labor turnover. (2) Division of Labor Administration, the duties of which consisted in studying the general problems of labor administration, including scientific management, fatigue, auditing; prevention of regimentation and promotion of individual initiative; and, finally, examination of "the attitude and policies of management toward employees and the personal relations between employers and employed." (3) Division of Safety Engineering, coöperat-

ing with the Bureau of Standards in the formulation of standards for mechanical safety.¹⁰² The service offered to industries a consultant coterie of specialists in employment management, industrial relations, sanitation, ventilation, illumination, medical supervision and service, and accident prevention.¹⁰³

Investigation and Inspection Service

The War Labor Administration Act appropriated the sum of \$300,000 for the maintenance of an Investigation and Inspection Service. This service was established and ready for work about August 15, 1918, under the direction of Mr. Ethelbert Stewart. The duties of this service included coöperation with the other services of the Department of Labor in matters pertaining to methods of inspection, investigation, and examination of employment conditions, but did not include mediation or expert training activities. It was really organized to serve the other branches of the Department of Labor, and was equipped with a sufficient staff of inspectors and examiners to handle the work of inspection and investigation for those branches. To October 15, 1918, 156 investigations and inspections had been made in compliance with requests from other services.¹⁰⁴ A corps of about 50 investigators and inspectors was employed for this purpose. Numerous other investigations were made prior to the dissolution of the service on June 30, 1919.

Division of Negro Economics

The war made imperative the expenditure of every effort to enhance the efficiency of all groups in our population, and focused immediate attention upon elements in industrial unrest to which as a nation we had been indifferent. These problems of inefficiency and unrest were nowhere more perplexing than among the negro element in our population, comprising over one-tenth of our people and constituting about one-sixth of those gainfully employed. Race prejudice in relation to labor turnover and unrest is only now beginning to attract attention. Mal-

¹⁰² *Sixth Annual Report of the Secretary of Labor*, 1918, p. 138.

¹⁰³ The Working Conditions Service was discontinued at the end of the fiscal year 1918-1919, because of the failure of Congress to appropriate funds for its maintenance.

¹⁰⁴ *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 122, 123.

adjustment between the colored and white groups of our population has penetrated the lines of industrial relations, and there is little doubt that the efficiency and skill of the black man have been suppressed as a consequence. Whatever of creative impulse and initiative lie dormant in the African race have not been given free play in American industrial life any more than in American political, social, and intellectual life. Comprehension of this situation was instrumental in the establishment of a Division of Negro Economics in the Department of Labor. This action was the direct outcome of a series of conferences held by the Advisory Council. Dr. George E. Haynes was appointed by the Secretary of Labor to the position of director of Negro Economics whose function it is to advise the Secretary on matters pertaining to the negro wage earner in relation to industrial and agricultural production, and the promotion of coöperation between the two races.

To realize the purposes for which it was organized, this Division has promoted the establishment of coöperative committees of white and colored citizens in states and localities where labor problems arise out of the relation between the races. The administration of policies was delegated to a staff of state supervisors of negro economics, who worked in intimate coöperation with the federal state directors of the United States Employment Service. Many conferences were held in North Carolina, Georgia, Kentucky, Ohio, Florida, Mississippi, and Illinois, for the purpose of enlisting the aid of numerous local and state fraternal, religious, and governmental organizations. In seven states, state negro workers advisory committees, composed of representative negroes and coöperating white citizens, were appointed up to October 1, 1918,¹⁰⁵ and the appointment of similar committees was under way in five additional states.¹⁰⁶ Also county and city committees had been appointed in seven of these states and were planned for several others. State supervisors of negro economics, along with special agents coöperating with the federal state directors of the United States Employment Ser-

¹⁰⁵ These states were, Florida, Georgia, Mississippi, North Carolina, Ohio, Virginia, and Kentucky.

¹⁰⁶ These states were Illinois, Michigan, Missouri, Pennsylvania, and New Jersey.

vice, had been appointed in eleven states.¹⁰⁷ No other step of recent decades has promised to be so constructive in increasing the industrial efficiency of the negro and in promoting more amicable relations between the two major races of the North American continent. The provision for such a division was not merely a matter of economic expediency but of social justice, for a race that constitutes so large a part of our population and has contributed so much to the economic and military effectiveness of the nation in a great emergency like the recent war is entitled to representation in that department of the government whose function it is to advance the welfare of the nation's workers.

Civilian Insignia Service

The work of this service was purely incident to the war, but recognizes a principle worthy of wider application in peace-time production, namely, the value of a recognition of merit as an incentive to production and industrial good will. Under the direction of this service war industry badges for excellence in industrial work were distributed. These badges were awarded to civilians employed at least four months in certain essential war industries which conformed to requirements prescribed by the government, and adopted as a part of their government contracts the principles of the War Labor Board as announced in the President's Proclamation of April 8, 1918. For employment beyond four months additional recognition was given.¹⁰⁸

Commission on Living Conditions

During October, 1918, the Secretary of Labor appointed a Commission on Living Conditions.¹⁰⁹ It was the particular function of this commission to discover where bad living conditions were a factor in impeding production of necessary war materials and to devise ways and means of improving such conditions.¹¹⁰

¹⁰⁷ These states included Mississippi, Florida, Georgia, North Carolina, Ohio, Virginia, Illinois, New Jersey, New York, Alabama, and Missouri. *Sixth Annual Report of the Secretary of Labor*, 1918, pp. 109-111.

¹⁰⁸ *Monthly Labor Review*, U. S. Bureau of Labor Statistics, August, 1918, p. 68.

¹⁰⁹ The members of this commission were: Mr. John R. Richards, Mr. J. Horace McFarland, Mrs. Eva W. White, Mr. John A. Voll, and Miss Edith Rockwood.

¹¹⁰ *Seventh Annual Report of the Secretary of Labor*, 1919, p. 186.

The first meeting of the commission was held on October 12, 1918. Conferences were called in which several departments of the government took part, including the War Department, United States Housing Corporation, and other government agencies that related themselves in any way to the problem of living conditions. At this conference ways and means of making a survey of conditions were considered. It was found that the lack of recreational facilities in war industrial communities was one of the most important problems demanding attention. The Playground and Recreation Association of America was asked to assume charge of the task of coördinating and stimulating local agencies in war industrial communities to meet the needs of the workers.

In Washington the commission secured the use of the Emergency Hospital for war workers suffering from influenza after the first epidemic had passed, assisted the War Camp Community Service in a program for recreation for government employees, suggested the organization of a Federal Workers Social Service for the purpose of studying the working and living conditions of government employees, sponsored government hotels, and assisted many communities in solving problems of living conditions. The Commission on Living Conditions was really an adjunct of the United States Housing Corporation and was financed out of the allotment of \$25,000 set aside by that corporation for the purpose of investigating and improving living conditions.

Summary. The outstanding features of this coördinated war labor administration are worthy of mention. Unlike the regulatory measures devised for the control of food, fuel, finance, and trade, our labor administration was created largely without the authority of statute. This non-statutory character was a desirable feature, for it permitted a great degree of flexibility and elasticity in effecting the readjustments made necessary by the conditions of the great emergency. Another characteristic of this labor program was the method used in enforcing the awards and findings of such bodies as the National War Labor Board. Threats to cancel contracts made by the government or to commandeer the plants of recalcitrant employers who refused to accept and abide by the awards constituted an effective means of

enforcing decisions. During the war this indirect, non-statutory compulsion was made possible by the amenability of industrial management and workers to public opinion, and especially because of the advantageous relation of the government to production as a great employer of labor in its own plants, and as the large purchaser of products during the crisis.

The new war labor administration program resulted in centralization of control with decentralization of administration by agencies in intimate touch with the labor problems that arose in industry; continuation, under a coördinated administration, of the industrial sections of the production departments of the government, thus eliminating duplication of effort and conflict of authority; flexibility of organization that allowed prompt readjustment to the exigencies that appeared; protection of existing labor safeguards; formulation, adoption, and enforcement of fundamental regulatory measures designed to promote the welfare of labor and maintain industrial efficiency; mitigation of the evils accruing from industrial unrest by the elimination of the causes of such unrest; and the promotion of a better understanding between management, labor, and the government.

CHAPTER VII

CONCLUSION

What have the experiences of the last few years taught the United States concerning the important problem of industrial relations and labor administration? The consensus of opinion is that much has been learned which will enable us to approach more scientifically and to deal more successfully with these problems in the future. There have been significant changes in the thought of the world regarding the multiplicity of industrial problems involving labor and their solution. The postulate of August Comte that ideas rule the world or throw it into chaos was never more clearly demonstrated than during the recent crisis. Especially is this true in regard to the relations between labor and capital, and the numerous elements in the productive process as these relate themselves to the human factor in production. In analyzing the labor problem of war-time we were forced to readjust our perspective and that readjustment possesses a fair degree of permanence. Before considering the most important lessons that have been learned about industrial relations and labor administration during the war it is necessary to summarize the tendencies outlined in the foregoing pages.

Summarizing our study it may be said that: (1) In its program of economic readjustment for the exigencies of war the United States, like other belligerent nations, found it necessary and expedient to abandon its customary policy of *laissez-faire* and to adopt in its stead a policy and program of extensive governmental interference and regulation. This new policy was characterized by concentration of control and coördination of administration. (2) Concentration of control and correlation of administrative activities were not extended to include the ways and means of dealing with the multiplicity of labor problems that grew in magnitude, until we had been in the struggle for almost a year. During the first year of our participation in the war our labor policy, in so far as we possessed one, was decen-

tralized and heterogeneous in respect to methods of control and administration. (3) Industrial unrest during the war was due to two sets of causes, the one set general in character and found in American industry as a whole, while the other group, more specifically tho not exclusively, was operative in particular industrial establishments. These two groups of conditions, it will be recalled, included the high cost of living, absentee ownership of industry and autocratic government of industrial plants, inequality in wage standards, faulty distribution of labor and the absence of governmental machinery to effect desired redistribution, inadequate machinery for the adjustment of industrial grievances, prevalence of profiteering, the spread of radical philosophies, the movement for a shorter work-day, insufficient housing and transportation facilities, discrimination against union workers and opposition to all forms of collective bargaining, unfavorable conditions of employment, the demand for a minimum wage scale and increasing wages, as well as some minor causes. (4) American labor, generally speaking, was loyal to the government and contributed greatly to the successful prosecution of the war. Labor's policy was not always unselfish. In fact there were many evidences of a selfish attitude, but most of the seemingly disloyal conduct on the part of workers was traceable to enemy propaganda or to bad industrial conditions, chiefly the latter, for enemy agents merely took advantage of an existing industrial situation to spread disloyalty. (5) With the development of a centralized and coördinated labor administration founded upon the broad principles of social and economic justice, the problem of labor unrest and other acute industrial difficulties were solved with unprecedented success. To this success the broadmindedness and patriotism of the representatives of management, employees, and the government contributed greatly.

1. SOME RESULTS OF THE WAR THAT AFFECT INDUSTRIAL RELATIONS

With the above summary in mind we may return to a consideration of the lessons which the United States has learned in dealing with the various elements in the labor problem during the great emergency. If the war has resulted in any constructive effect upon industrial society it has certainly demonstrated

the possibility and practicability of harmonious relations and earnest coöperation between the parties to industry — capital, management, labor, and the government. For the first time in the annals of American industry, management and labor throughout the entire country accepted certain fundamental standards of work and convened in joint conferences for the purpose of considering their grievances and adjusting their difficulties on the basis of these principles and standards. These joint conferences were common in particular establishments before the war, but the history of conciliation and mediation during the recent war shows that they were never so numerous nor characterized with so much rationality and amicability as in this critical period. This intimate association of the representatives of management and capital with the representatives of labor has done much to modify the harsh opinion each group of interests has held concerning the other, and should contribute materially to the elimination of the antagonism that has characterized modern industrial relations and disrupted industrial peace. Workers have learned that employers are men of like passions as themselves, actuated by the same motives not only for economic gain but for fair dealing and social and cultural progress, not blind to the rights of labor nor indifferent to justice for the proletariat. On the other hand, employers have discovered that workers possess a keen sense of justice and fair play, a large measure of rationality, a profound respect for the rights and deserts of that superior managerial ability without which the production of wealth could never have attained nor continue its present efficiency, and that they respond readily and generously to a proper appeal.

Labor and capital have finally appeared to each other in a truer light than formerly. Labor is gradually being looked upon as something more than a marketable commodity to be bought and sold in obedience to the operation of blind economic laws or the higgling and manipulation of powerful bargainers. It is seen that labor is inseparable from the laborer who possesses the qualities, rights, and dignity of a human being in a civilized community. To buy labor cheaply is to obey the powerful economic motive of self-interest, but many employers have learned that this is but to sacrifice human welfare and to disregard the

human factor in industry, and that in the long run cheap labor may prove to be expensive labor, not only for society but for the employer himself.

Likewise, capital has appeared in a truer light. Altho different from labor in that it is divorceable from its owner, capital, nevertheless, is but a collective designation for the capitalists — a group of human beings having all the attributes of humanity and not necessarily selfish. The capitalist like the laborer is, in the last analysis, a complex of human interests, and a fuller understanding of the motives and impulses that actuate his fellows may be relied upon to guarantee a fuller measure of industrial fair play and justice. Class hatred and the so called class struggle have been softened under the war-time practice of bringing capital and labor closer together and a fuller understanding of each other has narrowed the breach that for years has been widening.¹

Is this changed point of view a temporary phenomenon, an impulse growing out of loyalty to the nation in a great emergency, or does it presage a permanent change in the perspective and psychosis of the parties to industry? There is disagreement concerning the answer to this query, some holding that the new attitude is a permanent by-product of the war while others believe it will pass away with the return to peace and the post-war struggle for markets and profits. This much can be said: The prevailing sentiment of the press, the platform, the pulpit, and the representatives of the commercial and conservative labor interests of the country, as well as of students of the labor problem, is that the time was never more opportune for the reconciliation of labor and capital and these parties to industry seemed never more desirous and willing to understand each other and to establish conditions of permanent peace.² This changed attitude is

¹ The writer is cognizant of the fact that radical forces in the United States, as in Europe, have not surrendered the doctrine of class war and that expropriation of the property owning class is widely advocated, but there is abundant evidence of more conciliatory spirit in industrial relations and of a desire to establish democratic government of industry, both on the part of capital and of labor.

² The widespread industrial unrest that has appeared in the United States subsequent to the war may seem to deny the validity of this conclusion, but it is still true that all parties to the labor controversy are striving to discover a permanent basis for harmony.

not universal, but there are many indications of its prevalence.

A second result of the war pertaining to industrial relations is that it has made very clear the magnitude of the community's interest in the industrial system, particularly in the personal relation in industry and the conditions of employment. The absolute dependence of national security and progress upon both hand-workers and brain-workers has been clearly demonstrated during the recent international cataclysm, and this fact has stimulated the interest of the community in the conditions of work and service. Society is directly or indirectly a party to every industrial compact, for the production, exchange, and distribution of wealth are in a large measure determined by existing economic and political institutions which have their basis and sanction in law. Whatever one may think of the present economic and political systems, he cannot gainsay that they have legal sanction, and in a democracy like ours it is commonly assumed that law is the expression of the will of the majority. Admittedly, legal institutions and the statutes upon which they rest may be out of joint with the thought and philosophy of the present, but the machinery of democratic government affords an opportunity for orderly readjustment when the will of the majority so demands. Just as it is the duty of a democratic government to register and obey the will of the majority, so also is it obliged to protect existing personal and property rights and other institutions until such time as these institutions and rights, in the process of social evolution which is the barometer of the collective will, shall be modified or abandoned. This does not mean that it is the duty of the government to countenance the abuse of personal and property rights; rather should it prevent such abuse. It is one of the peculiar functions of government to maintain law and order in industry and in fulfilling this obligation the state becomes an active participant in the industrial process.

Industrial organization is not independent of and divorceable from the general societal organization. The industrial process is but one phase of the larger social process which, viewed in its totality, constitutes what is commonly known as the life of society. For this reason maladjustment in wealth-producing and wealth-distributing machinery has serious effects upon the entire

social structure, and industrial strife involves not only the interests of the direct parties to the labor contract, but the peace, welfare, and progress of society as well. It has long since been recognized that conditions of wealth-production and wealth-distribution, such as wages and hours of labor, sanitation, ventilation, lighting and other factory and mine equipment, have a direct influence upon the public health, national efficiency, and welfare, and in order to protect its general interests the state, through the exercise of its police power, has legitimately regulated industrial conditions. The period of the world war has done much to emphasize the necessity of these protective measures and to justify the action of the state, not only in prescribing regulations that conduce to the general welfare, but also in formulating principles that will maintain law and order in industry and guarantee permanent industrial peace. There is reason to believe that the future will witness greater rather than less activity on the part of the state as a party to industry. It would seem, however, that whereas the state in providing regulatory legislation in the past has placed the emphasis upon punitive measures, the tendency now is to introduce voluntary corrective regulations by educating the employer on the economy and efficiency of protective standards in industry.

Increased activity of the state as a party to industry does not mean nor express a tendency towards collective ownership and operation of the instruments of production, as is feared by some, but rather does it indicate a deeper interest on the part of the community in one of the most important phases of its collective life—the production and distribution of wealth. It is sometimes stated that we have measurably solved the problem of production of wealth, and that all that remains to usher in social and economic justice is an equitable solution of the problem of distribution.³ We are becoming more and more convinced, however, that many aspects of the problem of production, especially those involving the personal relation or human factor in industry, are just beginning to receive attention. In other words, although we have measurably solved the general problem of the

³ See Professor E. C. Hayes' pamphlet: *The Social Control of the Acquisition of Wealth*, p. 127. (Reprinted from the publications of the American Sociological Society, Vol. XII, 1917.)

mechanical or technical side of production, the psychology underlying human relations in industry is as yet vaguely understood. Fuller comprehension of these psychic elements is a necessary prerequisite to maximum efficiency in production.⁴

American industry is replete with demonstrations of this truth.⁵ Welfare schemes of various types which are being widely introduced into American industry are manifestations of the increasing desire of our industrial managers to understand more clearly the impulses and motives that enter into production. As Professor Irving Fisher has suggested, industry as heretofore conducted has balked the fundamental instincts of the worker, and in order to secure maximum production the basic instincts of self-preservation, self-expression, self-respect, loyalty, love of home making, worship, and play must be satisfied.⁶ Industrial management must learn that it is not sufficient to give free play to the instinct of workmanship or the so-called creative impulse, but that it is necessary also to satisfy the acquisitive instinct. If the laborer is to be induced to put forth his best efforts on production he must first be guaranteed a just share in the division of the product. The second condition is the necessary prerequisite of the first, for without a guaranty of a fair division of the product the worker will not exert his best efforts in producing that product. This is fundamental to a clear understanding of the instinctive basis of industrial organization and operation. In the past the entrepreneur has been concerned chiefly with technical problems of organization and systematization of industry in relation to production; the future will witness greater emphasis upon the human element in productive processes. This new appreciation of the human element

⁴ See F. S. Lee, *The Human Machine and Industrial Efficiency*; O. Tead, *Instincts in Industry, A Study of Working-Class Psychology*; H. Marot, *Creative Impulse in Industry*.

⁵ Among the conspicuous examples of the consideration of the human factor in industry are the following: Sears Roebuck & Co., Montgomery Ward & Co., The International Harvester Co., The Colorado Iron and Fuel Co., The Ford Motor Co., Hart, Schaffner & Marx, The American Rolling Mill Co., The Harris Trust and Savings Bank of Chicago, and the Standard Oil Co., of New Jersey.

⁶ See Professor Fisher's paper, "Humanizing Industry," the *Annals of the American Academy of Political and Social Science*, Vol. LXXXII, No. 171 (March, 1919), pp. 83-90.

in industry is born of the desire for increased efficiency in production and of the newer conception of human values. It is a change that will alter the type of industrial management. "Heretofore the Chief Executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming, however, when the important qualifications for such positions will be a man's ability to deal successfully and amicably with labor."⁷ The war has emphasized the necessity of this new basis of selecting the managers of industry.

A third result of the war affecting the labor problem is the discovery of the fundamental weakness in our national labor policy and the creation of a new labor administration. The old, decentralized, heterogeneous labor policy and administration was forced, under the pressure of a great emergency, to give place to a policy of uniform standards, concentration of authority, and coördination of administrative agencies. With the Labor Policies Board and the War Labor Board at the apex of our war-time labor administration, there was little left to be desired in the way of efficient organization. These two bodies, the former essentially administrative and the latter primarily, though not solely, judicial, were responsible for the efficient manner in which our labor problems were solved during the second year of our participation in the war. What is to become of this new policy and administration now that the war is over? There is a general demand for the continuation of these war labor agencies that have served the country so acceptably, altho there developed some opposition to the War Labor Board, many manufacturers contending that the board "failed to be impartial, judicial, or conciliatory," and was really "a labor surrender board." Notwithstanding this criticism, however, a good majority of employers endorse the establishment of a national labor board, properly constituted, legally created, and vested with adequate authority to enforce its decisions.⁸ It was folly to abandon this new labor administration. The United States is in great need of such important agencies as the Labor Policies Board, the War Labor Board, the Federal Employment Service, the Woman in In-

⁷ John D. Rockefeller, Jr., *The Personal Relation in Industry*, p. 7.

⁸ *American Industries*, Vol. XIX, No. 9 (April, 1919), p. 9.

dustry Service, the Industrial Training Service, the Working Conditions Service, and the Inspection and Investigation Service. For, as a noted student of the labor problem has remarked, "it is with respect to labor policies and their administration more than aught else that the old order in Industry must give place to a new."⁹

A fourth by-product of the war is the definite formulation and general acceptance of certain basic principles and standards of industrial conduct.¹⁰ The introduction of uniform standards for American industry as a whole has filled a long felt need in labor administration. For some decades uniformity has characterized this country's standards for trade and transportation enterprises. Anti-trust legislation embodied in such laws as the Sherman Act of 1890 and the Clayton Act of 1914, together with the creation of the Interstate Commerce Commission in 1887 and the subsequent extension of its powers, is evidence of an attempt to prescribe uniform regulations for competitive business enterprises with a view to preventing unjust practices. Labor standards in the United States, however, have lacked uniformity both as to the different states and different industries within the same state. In recent years the creation of state industrial commissions has done much to introduce desired uniformity in labor standards within the respective states, but until the development of war labor administration no uniform regulation existed for the nation as a whole.¹¹ An exception is found in the Federal Child Labor Law of 1916, which has been declared unconstitutional by the Supreme Court of the United States. The lack of uniformity in labor standards has made difficult the prohibition of child labor, the establishment of minimum wage scales, reasonable hours of employment, and other improved conditions of work. Each state feared that in passing regulatory legislation its industries would suffer in competition with the industries of the more backward states which would refuse to provide desirable standards. During the war uniform regulations were laid

⁹ King, W. L. Mackenzie, *Industry and Humanity*, p. 179.

¹⁰ See Chapters V and VI.

¹¹ Unfortunately Congress has not seen fit to make permanent such excellent agencies as the War Labor Board, the reorganized United States Employment Service, etc., etc., so return to normal conditions will find us again without adequate machinery for labor administration.

down for all industries in any state or territory of the United States that were working on government contracts. Continuation of these uniform standards through adoption by all the states would do much to solve many of the perplexing labor problems that are likely to arise. Such adoption has been urged in the multiplicity of reconstruction programs advanced by trade, financial, and labor associations in this country and abroad, and a program of international labor standards has been formulated by the committee on labor at the Versailles Peace Conference.¹²

2. THE FUTURE RELATIONS OF LABOR AND CAPITAL

A deluge of literature has appeared on the problems of reconstruction, and the labor problem has received generous treatment.¹³ Running through all these treatises and reconstruction suggestions there is a note of anxiety. Nations have feared the period of reconstruction almost as much as they feared the war, because of the rapidity with which radical political and industrial movements have swept over Russia and Central Europe and, to some extent, over England and France.¹⁴ It is no small task to divert the energies of a nation from the channels of organized destruction incident to a great international conflict into the avenues of peaceful pursuits, and there may well be some apprehension concerning the outcome of readjustment. The United States cannot forget the seriousness of conditions

¹² For such programs see *Problems of Reconstruction*, published by the American Association for International Conciliation, New York City; *The Reconstruction Program of the American Federation of Labor*; Report of the Employers' Industrial Commission of the United States Department of Labor on British Labor Problems; Revised Covenant of the League of Nations, Article 23, The Peace Treaty between the Allies and Germany; *Reports on Reconstruction from English Sources*, published by the United States Shipping Board Emergency Fleet Corporation; *Annals of the American Academy of Political and Social Science* (January and March, 1919), Vols. LXXXI and LXXXII; *Reconstruction Program of the British Labor Party*; *Labor and Reconstruction in Europe*, by Elisha M. Friedman.

¹³ See bibliography appended to this study.

¹⁴ Concerning recent developments in these movements in the United States see the following articles by the writer: "The Present Status of Socialism in the United States," *Atlantic Monthly*, December, 1919, and "Revolutionary Communism in the United States," *American Political Science Review*, February, 1920.

following the Civil War, and has expected a similar experience during the present period. Thus far, however, no very critical situations have arisen here, although there are perplexing problems. A period of readjustment subsequent to a state of war is always fraught with uncertainties. The necessity of maximum production during war-time results in an atmosphere of certainty and optimism in business life. Prices are high, profits large; wages, interest, and rents climbing; business is sure of returns, labor is certain of employment. With the cessation of hostilities, however, certainty gives way to uncertainty, optimism to fear. Demands upon industry decline, armies are demobilized, thus creating a surplus of labor, and the wheels of industry slow down. Numerous problems arise, not the least important of which center about labor. Redistribution of the labor supply, prevention of unemployment, adjustment of wages to prices, regulation of immigration, and the elimination of industrial unrest are but a few of the problems which the beginning of the readjustment period has uncovered in the United States.

One of the most important problems of the reconstruction period is the establishment of conditions conducive to industrial peace. One of the results of the war is the new dignity of the laboring forces of the world. Never has so much deference been paid to the will and desires of labor, and at no time has the mass of workers taken so keen an interest in the destinies of nations and claimed so great a voice in the determination of national and international policies. Samuel Gompers, in his address at Laredo, Texas, put it thus: "The time has come in the world when the working people are coming into their own. They have new rights and new advantages. They have made the sacrifices and they are going to enjoy the better times for which the whole world has been in a convulsion."¹⁵ Everywhere labor representatives are presenting new and greater demands, and many defenders of the *status quo* fear the unleashing of disintegrating forces. Bolshevism, with its reign of terror and anarchy producing disorder and chaos, has forced the utmost precaution in handling the labor problem. A strong desire prevails to eliminate conditions that lead to industrial unrest and revolution.

¹⁵ Address before the International Labor Conference at Laredo, Texas, November, 1918.

Compared with the confusion and the general state of affairs in Europe, the United States is experiencing few serious difficulties in industrial relations. The proletariat of America has suffered less exploitation and is more intelligent than the masses of the Old World, and this condition constitutes our safety valve in the reconstruction period. The wrongs that infest American industrial life can be remedied through the intelligent use of our present machinery of democratic government. We have problems, very serious ones, pregnant with uncertain consequences. The radical labor movement is gaining strength among the unorganized groups, which constitute the majority of our gainfully employed population, and to some extent in the ranks of organized labor. A labor leader recently stated that many members of local unions have been carried away by the doctrines of bolshevism.¹⁶ Similar observations have been made by other labor representatives. Conservative labor forces are refusing to accept a reduction in wages without reference to the level of prices, and are demanding general establishment of the eight-hour day and other reforms. Moreover, American labor's reconstruction programs contain definite demands for legislation making it a criminal offense for employers to interfere with the rights of employees to organize, for laws limiting the tasks of women workers, establishment of public ownership of public utilities, removal of all restrictions on free speech, abolition of child labor, prevention of unemployment, restriction of immigration, democratic control of industry, etc.¹⁷ American labor, like labor the world over, is demanding greater freedom and larger economic, political and cultural opportunities.

How will American capital accept these larger demands of labor? Will employers persist in their opposition to collective bargaining, a shorter work-day, minimum wage scales, abolition of child labor, etc.? With the great lesson of coöperation which the war has taught us, it is difficult to believe that the strong

¹⁶ Mr. William McHugh, acting president of the Printing Pressmen and Assistants' Union, at the annual convention of American Newspaper Publishers' Association, New York City, April 24, 1919.

¹⁷ See the constitution and platform of the recently organized Labor party of Cook County, Illinois, and the State Labor Party, published in the *New Majority*, January, 1919; also the *Reconstruction Program of the American Federation of Labor*.

individualism which has often been the basis of our laws and the chief determinant of our political and industrial policies will continue to prevail in industrial relations. Nevertheless, our traditional adherence to absolute liberty of action will not pass out of existence immediately. Many employers will still insist upon the right to run their business as they please, and will resent all efforts of organized labor and of the government to infringe upon that right. Limitations are repugnant to the typical American mind — this is the psychology underlying our industrial situation. Business enterprises resent restrictions whether imposed by the state or by labor organizations. Labor is equally resentful of limitations imposed by capital and management. This likemindedness in the matter of personal liberty is largely responsible for the unpleasant relations that frequently arise between capital and labor. The truth is that both capital and labor have recognized and defended their constitutional guaranties and so called natural rights without taking cognizance of the fundamental obligations and responsibilities that the possession of these rights impose. Happily, there are numerous evidences of a new conception of rights in regard to industrial relations, one which discards the postulate that rights are absolute and accepts the interpretation of their relativity. This new interpretation¹⁸ promises to be the guiding spirit in our post-war readjustment of industrial control. If it can be made the working philosophy of industrial relations, as it is being made the ruling principle for international political relations, much will have been done to eliminate the causes of unrest and revolution.

In his address at Rome, January 3, 1919, President Wilson stated: “. . . after all, what the world is now seeking to do is to return to the paths of duty, to turn from the savagery of interests to the dignity of the performance of right,” or, “In other words, our task is no less colossal than this: to set up a new international psychology, to have a new atmosphere.”

In these expressions the President has suggested for the political relations of the nations what has long been necessary

¹⁸ We do not mean to imply here that the conception of the relativity of rights is generally new, but its application to industrial relations is of recent origin.

in the relations of management and labor, namely, a turning away from the savagery of self-interest and the possession of a new mental attitude, a new psychology, conducive to an atmosphere of mutual trust and confidence, which are the foundations of coöperation and progress. To change men's activities it is first necessary to change their ideas of conduct. Insistence upon absolute rights must give place to recognition of the rights of other members in society and the prerogatives of the group. So long as capital refuses to appraise properly the dignity and rights of the laborer and workmen fail to take cognizance of the rights of capital and management, we shall have industrial warfare, more continuous and more destructive than international conflicts. As already suggested, there are numerous signs of a new appraisal of human values in the industrial process, and capital and labor are more and more clearly seen as collective terms for bodies of human individuals with continuously increasing wants, cumulative aspirations, and varying emotions, desirous of greater satisfactions here and now but not necessarily forgetful of the desires of others. This widening circle of wants and desires is the parent of discontent and ambition, and these in turn are the antecedent phenomena out of which a conflict of interests develops in the sphere of industrial relations as in the world of international political relations.

These are days of a new and broad evolution of the rights of nations, especially of the weaker ones, and the tendency is toward the guaranty of independence and full sovereignty for all peoples capable of self-determination and self-government. Democracy is the dynamic of present day political and industrial philosophy and action. It has been prescribed for a world suffering from conflicting political ambitions and for the prevention of war. Everywhere this new sovereignty of democracy is being proclaimed — it is the crystallized thought of what men proclaim as a new era. Something akin to this sovereignty of democracy in political relations must be established in the government of industry. Industrial conflict is a symptom of the disease of self-interest in the operation and management of industry, and the remedy would seem to lie in democratic control of the conditions of employment. Conservative labor forces in the United States deem it "essential that the workers should

have a voice in determining the laws within industry and commerce which affect them, equivalent to the voice which they have as citizens in determining the legislative enactments which shall govern them,"¹⁹ and it is "of paramount importance that Labor shall be free and unhampered in shaping the principles and agencies affecting the wage-earners' condition of life and work."²⁰ It is no alarmist view, but rather a simple statement of fact, that confusion and discontent are threatening revolution and that abuses tolerated yesterday will be intolerable tomorrow, for awakened peoples are in reality conscious of a new hope for a larger freedom. If America is to avoid the spread of bolshevism and other forms of anarchistic radicalism in the ranks of her forty odd millions of gainfully employed persons, a co-equal voice in the government of industry is a necessary prerequisite. This is the conclusion not only of the representatives of labor and capital in the United States but also of other advanced nations.²¹

No better analysis of the problem of industrial relations and the necessary readjustment along the lines of democratic control of the conditions of employment has been given to us than the following conclusion of the President's Mediation Commission:

Broadly speaking, American industry lacks a healthy basis of relationship between management and men. At bottom this is due to the insistence of employers upon individual dealings with their men. Direct dealings with employees organizations is still the minority rule in the United States. In the majority of instances there is no joint dealing, and in too many instances employers are in active opposition to labor organizations. This failure to equalize the parties in adjustments of inevitable industrial contests is the central cause of our difficulties. There is a commendable spirit

¹⁹ *Reconstruction Program of the American Federation of Labor*, p. 2.

²⁰ *Ibid.*, p. 15.

²¹ For methods of introducing democratic control of industry see the following: *The Personal Relation in Industry*, *The Colorado Plan*, and *Brotherhood of Men and Nations*, by John D. Rockefeller, Jr.; *Man to Man—the Story of Industrial Democracy*, by John Leitch; *Report of the Employers' Industrial Commission of the U. S. Department of Labor on British Labor Problems*; English Reconstruction Reports, including the *Whitley Committee Report*, *Memorandum on the Industrial Situation After the War* (Garton Foundation); *Reports of the Conferences of Plymouth and Cornwall*; *Report of Inquiry as to Works Committees*, by the Minister of Labor; *The Shop Committee*, by William Leavitt Stoddard.

throughout the country to correct specific evils. The leaders in industry must go further, they must help to correct the state of mind on the part of labor; they must aim for the release of normal feelings by enabling labor to take its place as a coöperator in the industrial enterprise. In a word, a conscious attempt must be made to generate a new spirit in industry.²²

This new spirit which is being generated in industry is doing much to eliminate unrest, radicalism, and revolutionary tendencies, and to usher in a new era in industrial relations. Out of the better understanding between capital and labor which this new point of view should develop there will inevitably come a higher participation by labor in the determination of the conditions of employment and in the fruits of its toil.²³ This will make unnecessary a dictatorship by the proletariat and put an end to the autocracy of capital. Autocratic management of industry, whether by labor or capital, is undesirable; democracy is the only solid foundation of permanent industrial peace.

Generally speaking, then, the experience of the United States in dealing with the important problems of industrial relations during the world war suggests the following remedies: Continuation of centralized and coördinated labor administration; ²⁴ adoption and application of uniform principles and standards to guide administrative agencies in regulating the conditions of employment; the introduction of democratic government in industry with a special plan of representation adapted to the needs and conditions of given industries and establishments; ²⁵ provi-

²² Sixth Annual Report of the Secretary of Labor, 1918, p. 24.

²³ The writer does not mean to imply that democratic control is the final solution of the labor problem, but he does believe that such control is the next step in the evolution of industrial relations.

²⁴ Coördination of labor administration should not involve the concentration of control in the hands of the federal government, but rather correlation of effort between the administrative agencies within each division of government — local, state, and national — and further correlation and coöperation between the federal, state and local governmental bodies in matters that concern labor administration. State and local arbitration boards, employment services, etc., can coöperate to mutual advantage with the federal agencies in meeting successfully the problems that arise.

²⁵ This does not involve state ownership of industry and industrial management by the workers as suggested by the Guild Socialists. Conservative labor forces in America are asking merely for a voice in the determination and regulation of conditions of employment, and it is in this latter sense that we have used the term "industrial democracy."

sion for giving to labor a share in the excess earnings of industry; free play for the creative impulse in industry; and the generation of a new spirit between management and labor — a spirit of coöperation, democracy, and good-will.²⁶

²⁶ These measures have been dealt with in preceding pages, see Chapters v and vi.

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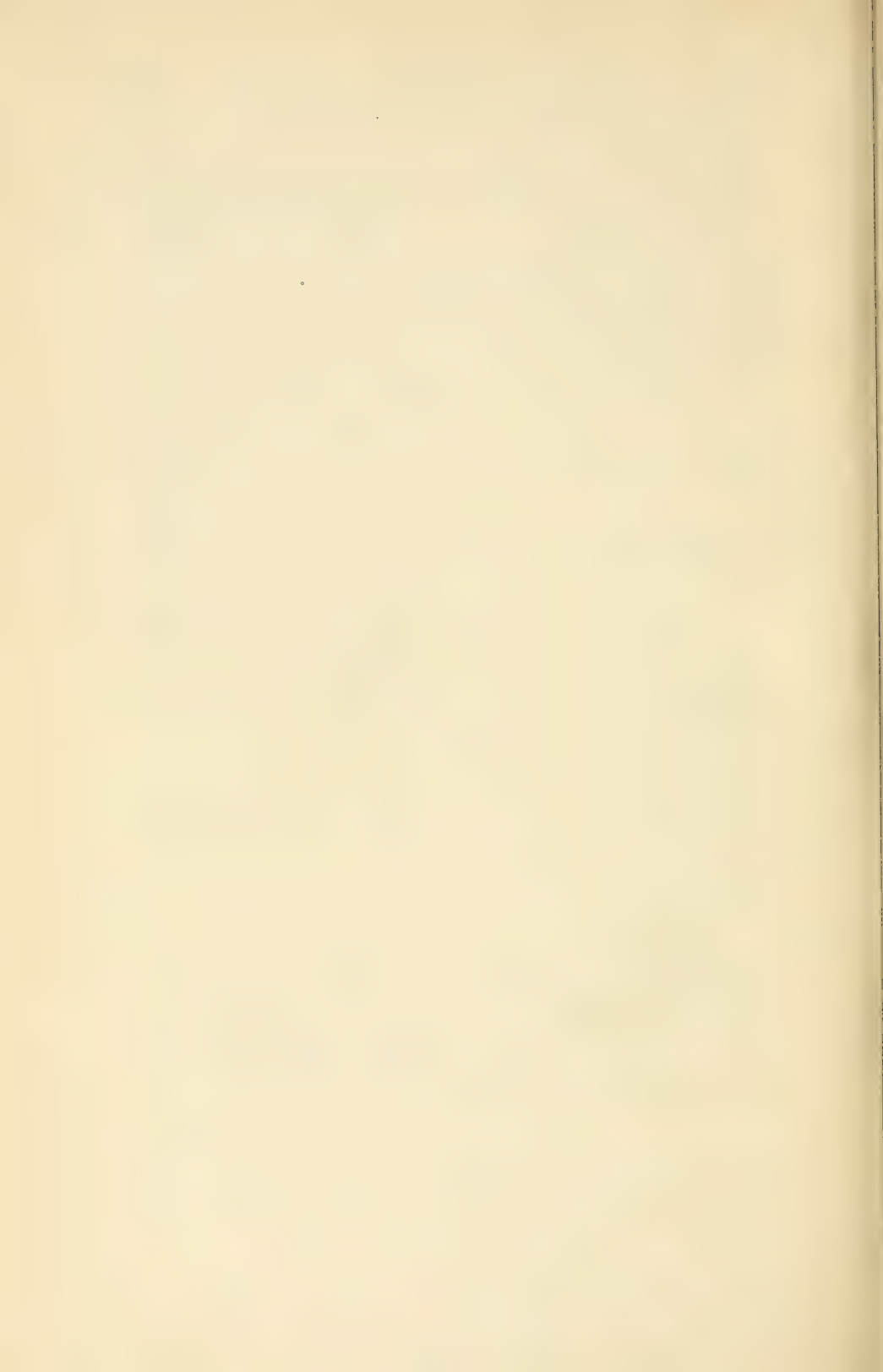
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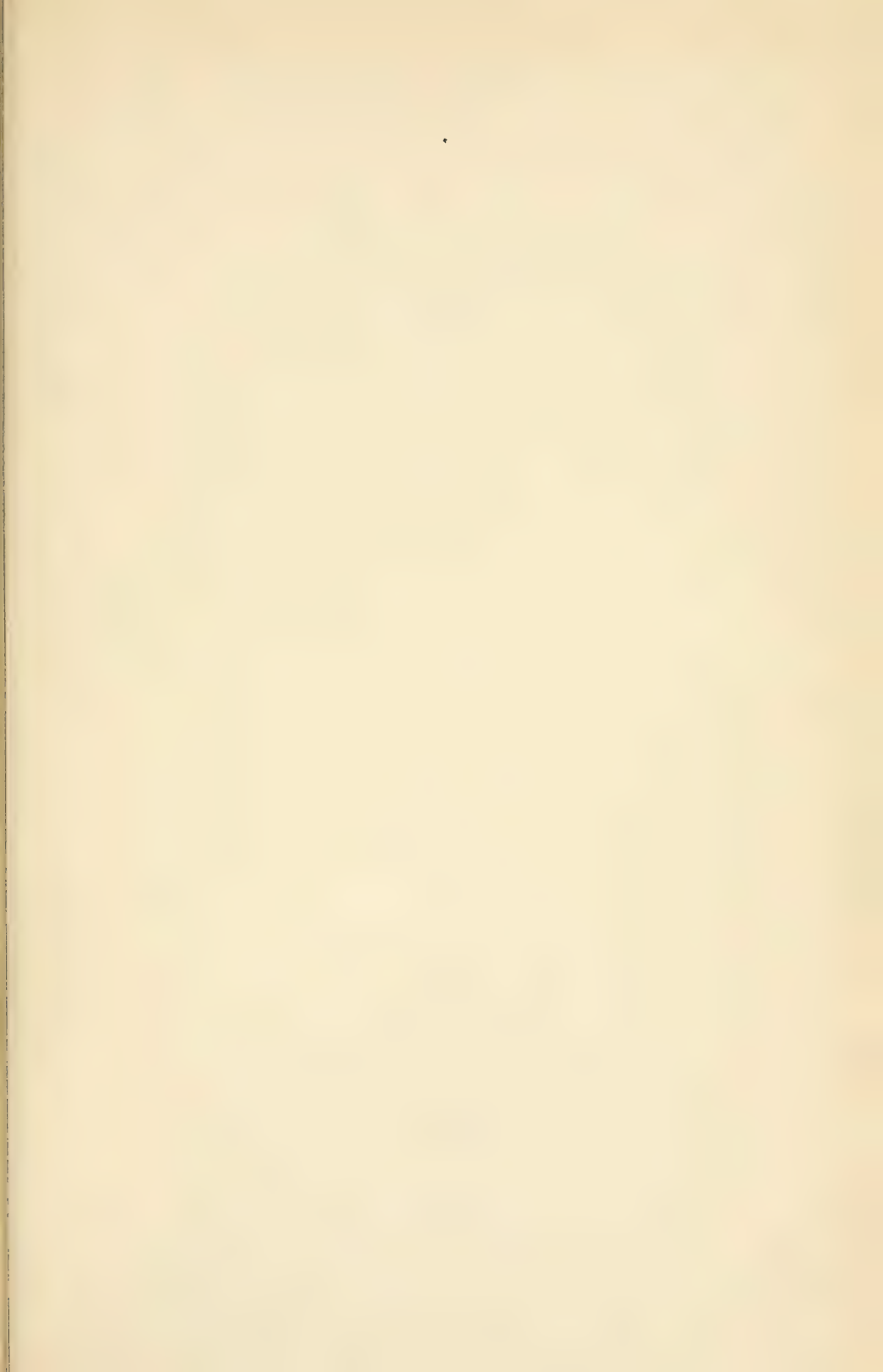
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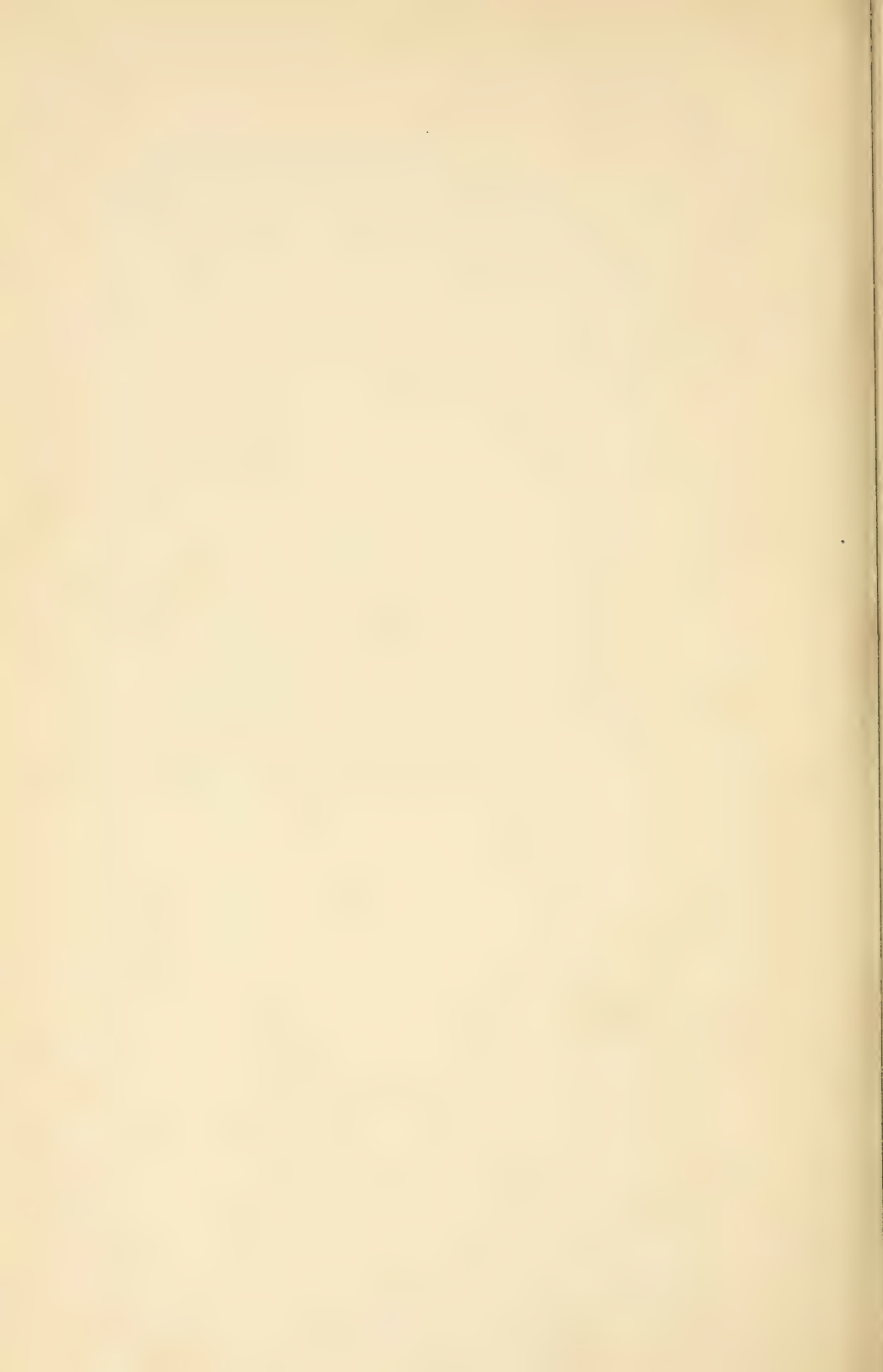
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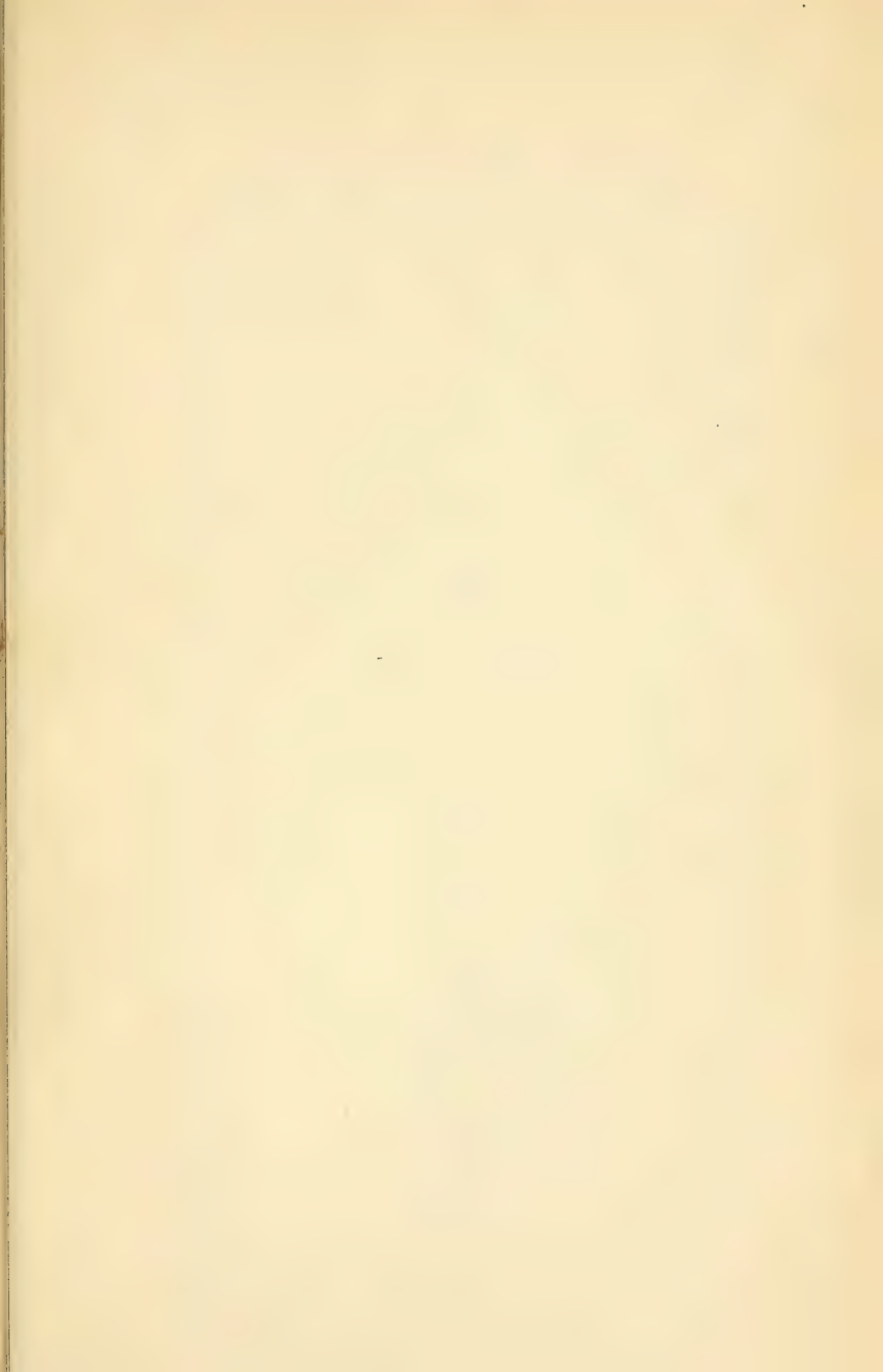
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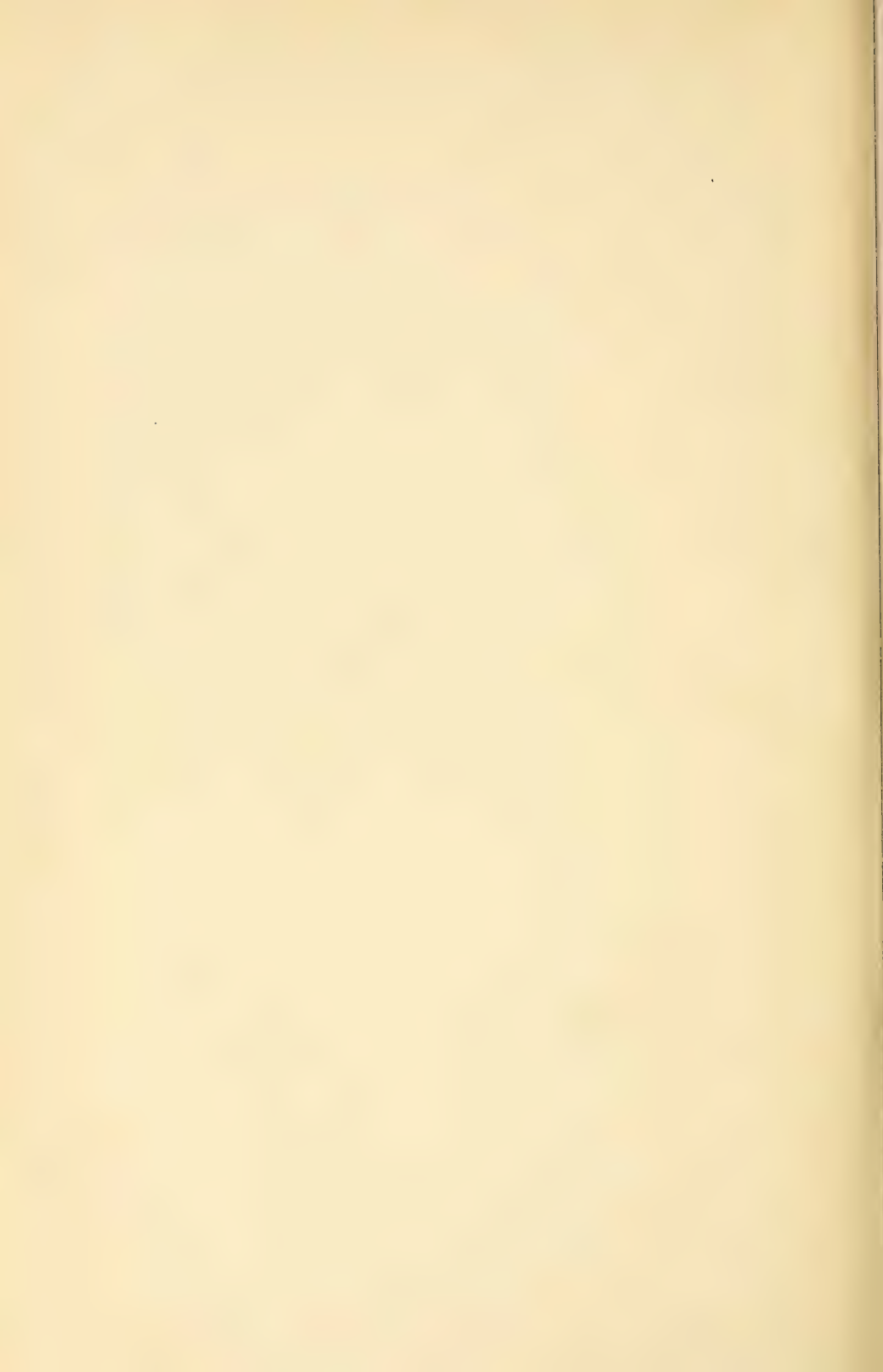
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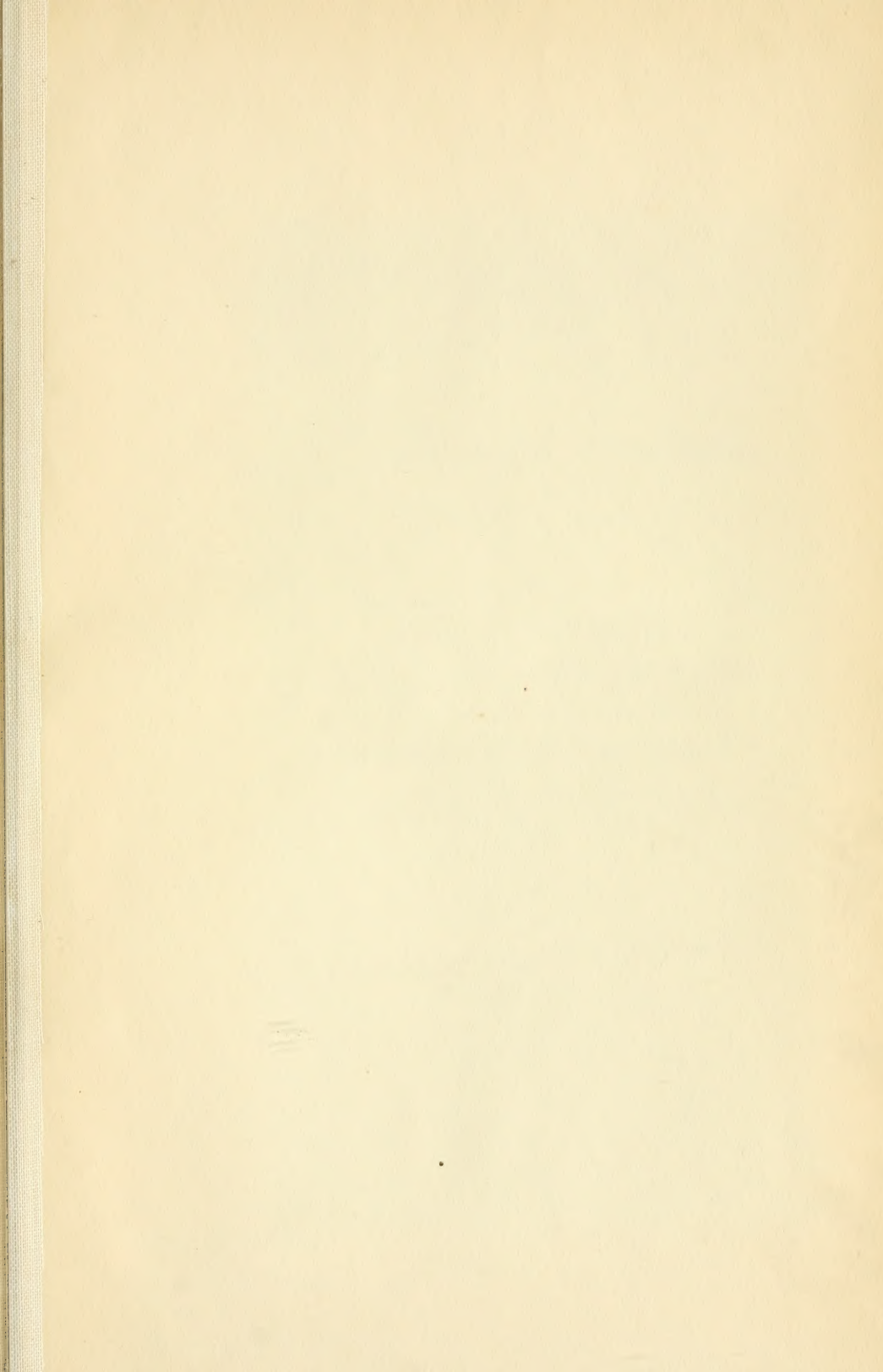


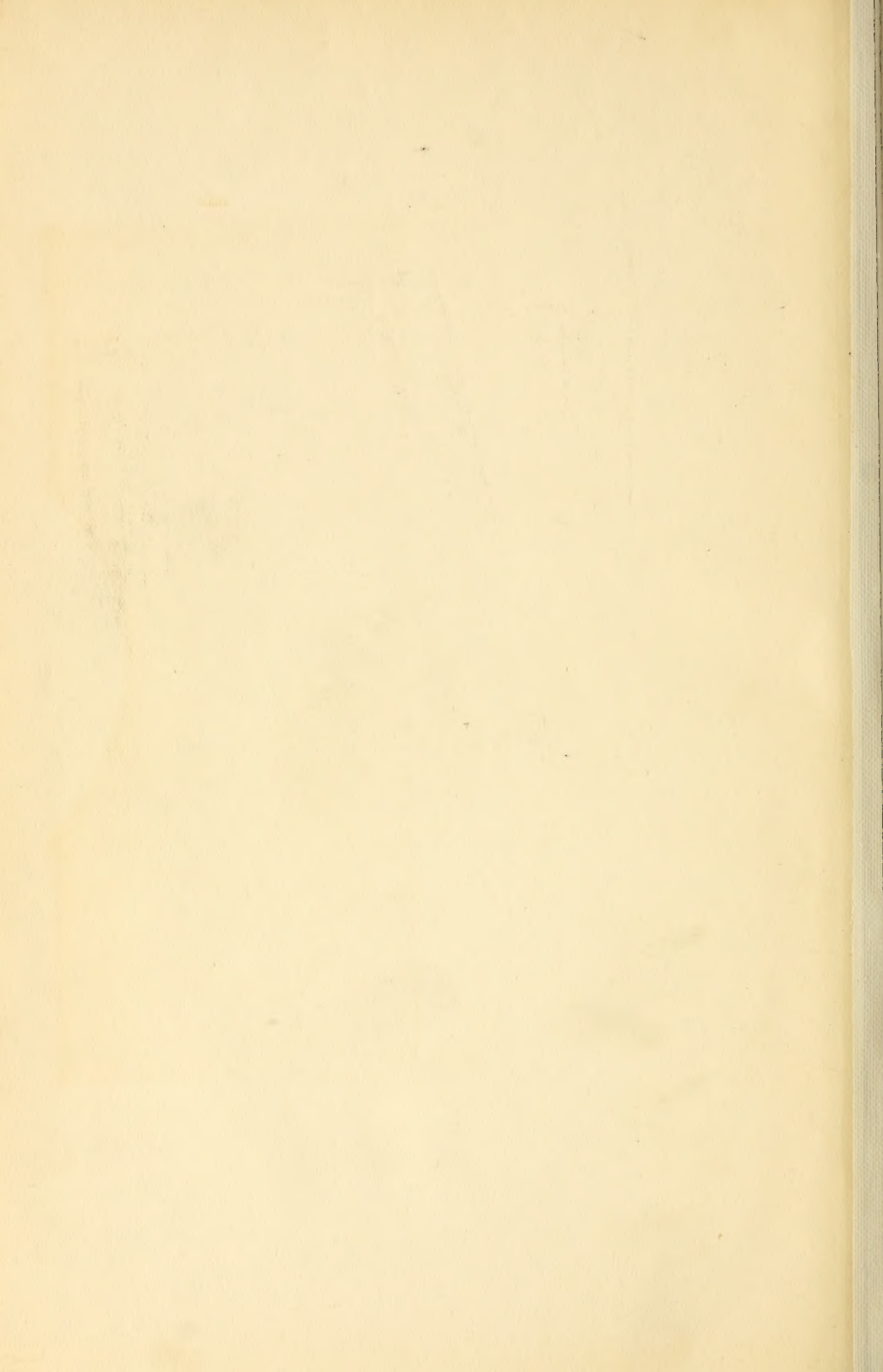












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